NEW ISSUE-BOOK-ENTRY-ONLY

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

OFFICIAL STATEMENT
Dated: June 8, 2021

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein.

THE CERTIFICATES ARE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

CITY OF GILMER, TEXAS

(A municipal corporation and political subdivision of the State of Texas located in Upshur County)

$5,945,000
Combination Tax and Revenue Certificates of Obligation, Series 2021

Dated Date: June 15, 2021 **Due: August 15, as shown on page ii**

The City of Gilmer, Texas (the "City" or "Issuer") $5,945,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance adopted by the City Council on June 8, 2021 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from a an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from June 15, 2021 (the "Dated Date"), and will be payable February 15 and August 15 of each year, commencing February 15, 2022, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully-registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank National Association, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for (i) renovating and redeveloping Yamboree Park, Roosevelt Park and Abney Park consisting of land clearing, landscaping, playing fields, playgrounds and play areas, restrooms, lighting, hike and bike trails, pavilions, picnic and seating areas and related park improvements; and (ii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See "THE CERTIFICATES - Redemption" herein.)

MATURITY SCHEDULE
(See Page ii)

The Certificates are offered for delivery when, as and if received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Certificates will be available for delivery through DTC on or about June 30, 2021.

SAMCO CAPITAL

$5,945,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021
MATURITY SCHEDULE
(Due August 15)
Base CUSIP Number: 375874[1]

Stated Maturity (August 15)	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[1]
2022	$195,000	3.000	0.200	GY4
2023	230,000	3.000	0.300	GZ1
2024	235,000	3.000	0.450	HA5
2025	245,000	3.000	0.590	HB3
2026	250,000	3.000	0.720	HC1
2027	260,000	3.000	0.870	HD9
2028	265,000	3.000	1.010	HE7
2029	275,000	3.000	1.130	HF4
2030	280,000	3.000	1.230	HG2
2031[2]	290,000	3.000	1.300[3]	HH0
2032[2]	300,000	3.000	1.360[3]	HJ6
2033[2]	310,000	3.000	1.390[3]	HK3
2034[2]	315,000	3.000	1.410[3]	HL1
2035[2]	325,000	3.000	1.440[3]	HM9
2036[2]	335,000	3.000	1.470[3]	HN7
2037[2]	345,000	3.000	1.500[3]	HP2
2038[2]	355,000	3.000	1.530[3]	HQ0
2039[2]	365,000	3.000	1.560[3]	HR8
2040[2]	380,000	3.000	1.650[3]	HS6
2041[2]	390,000	2.000	2.000	HT4

(Interest to accrue from the Dated Date)

(1) CUSIP numbers have been assigned to this issue and are included solely for the convenience of the purchasers of the Certificates. “CUSIP” is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in anyway as a substitute for the CUSIP Services. Neither the City, its Financial Advisor nor the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. (See “THE CERTIFICATES - Redemption” herein).

(3) Yield shown to first optional redemption date of August 15, 2030.

CITY OF GILMER, TEXAS
110 Buffalo Street
Gilmer, Texas 75644
(903) 843-2552

ELECTED OFFICIALS

Name	Title	First Elected	Term Expires	Occupation
Tim Marshall	Mayor	5/2019	5/2023	Retired
William Hornsby	Council Member, Dist. 1	5/2018	5/2022	Retired
Marty Jordan	Council Member, Dist. 2	5/2019	5/2023	ETEX Cable Locator & Repairman
Brian Williams	Council Member, Dist. 3	5/2019	5/2023	Owner of Williams Paint & Supply
Teathel Hollis	Council Member, Dist. 4	5/2018	5/2022	Retired
Michael Chevalier	Council Member at Large	5/2018	5/2022	Upshur Rural Electric Utility Supply Services Manager
Jarom Tefteller	Council Member at Large	5/2019	5/2023	Attorney

ADMINISTRATION

Name	Position	Years of Service with City	Total Years of Service
Greg Hutson	City Manager	4.5	7.5
Maria Cisneros	City Secretary	9.5	9.5
Gary Smith	Interim Finance Director	1	1

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Financial Advisor	Hilltop Securities, Inc. Dallas, Texas
Certified Public Accountants	Karen A. Jacks & Associates, P.C. Longview, Texas

For Additional Information Please Contact:

Greg Hutson, City Manager
City of Gilmer
110 Buffalo Street
Gilmer, Texas 75644
(903) 843-2552
ghutson@etex.net

John L. Martin, Jr.
Hilltop Securities, Inc.
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 859-9447
john.martin@hilltopsecurities.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. 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 Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE CERTIFICATES 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 purposes of, and as that term is defined in, the Rule.

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Gilmer, Texas (the “City” or “Issuer”), is located in Upshur County. The City is a political subdivision of the State of Texas (the “State”) and a municipal corporation organized and existing under the laws of the State and the City’s home rule charter.
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from a an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City’s combined Waterworks and Sewer System (the “System”). (See “THE CERTIFICATES – Security for Payment” and “AD VALOREM TAX PROCEDURES – Debt Tax Rate Limitation” herein).
Redemption Provisions	The Certificates maturing on and after August 15, 2031, are subject to redemption prior to their stated maturity at the option of the City on August 15, 2030, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof within a maturity, at the redemption price of par plus accrued interest. (See “THE CERTIFICATES – Redemption Provisions” herein.)
Tax Exemption	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “Tax Matters” herein.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (i) renovating and redeveloping Yamboree Park, Roosevelt Park and Abney Park consisting of land clearing, landscaping, playing fields, playgrounds and play areas, restrooms, lighting, hike and bike trails, pavilions, picnic and seating areas and related park improvements; and (ii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See “THE CERTIFICATES” – “Use of Certificate Proceeds” and “Sources and Uses of Funds” herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company (“DTC”), New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
Ratings	S&P Global Ratings, a division of S&P Global Inc. (“S&P”), has assigned their credit rating of “AA-” to the Certificates. An explanation of the significance of any rating may be obtained from S&P Global Ratings. (See “OTHER PERTINENT INFORMATION-Ratings” herein.)
Qualified Tax-Exempt Obligations	The City designated the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions. (See “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions” herein.)
Payment Record	The City has not defaulted in repayment of any of its bonded indebtedness.
Delivery	When issued, it is anticipated the Certificates will be available for delivery through DTC on or about June 30, 2021.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas in substantially the form attached hereto as Appendix C.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Gilmer, Texas (the "City" or "Issuer"), of its $5,945,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates").

The Issuer is a political subdivision and a home rule municipality of the State of Texas (the "State") and operates under the statutes and the Constitution of the State of Texas and the city's home rule charter. The Certificates are being issued pursuant to the laws of the State of Texas including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended and an ordinance adopted by the City Council on June 8, 2021 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT*.** Copies of such documents may be obtained from the Issuer or the Financial Advisor.

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

THE CERTIFICATES

General

The Certificates will be dated June 15, 2021 (the "Dated Date"). The Certificates are stated to mature on August 15 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 15 and August 15 of each year commencing February 15, 2022, until maturity or prior redemption. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar, initially U.S. Bank National Association, Dallas, Texas, (the "Paying Agent/Registrar") at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon prior redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from a an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a pledge of the surplus net revenues, derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "AD VALOREM TAX PROCEDURES" herein).

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 Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

Redemption

Optional Redemption: The Certificates maturing on and after August 15, 2031 are subject to redemption prior to their stated maturity at the option of the City on August 15, 2030, or any date thereafter, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Notice of Redemption: At least 30 days prior to the date fixed for any such redemption, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar on the business day of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAIL TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof, which are to be so redeemed. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Certificates or portions thereof shall be deemed to be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar from the funds provided for such payment.

The City reserves the right to give notice of its election or direction to redeem Certificates 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 Certificates subject to conditional redemption and such redemption has been rescinded shall remain Outstanding and the rescission of such redemption shall not constitute an event of default. Further, in the case of a conditional redemption, the failure of the City to make moneys and or authorized securities available in part or in whole on or before the redemption date shall not constitute an event of default.

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

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar is not required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following such principal or interest payment date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for (i) renovating and redeveloping Yamboree Park, Roosevelt Park and Abney Park consisting of land clearing, landscaping, playing fields, playgrounds and play areas, restrooms, lighting, hike and bike trails, pavilions, picnic and seating areas and related park improvements; and (ii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith.

Payment Record

The City has never defaulted in repayment of its bonded indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. Thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to take any action amending the terms of the Certificates are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in clauses (a) – (c) in the first paragraph of this section above to be made with amounts deposited to defease the Certificates. Because the Ordinance specifically permits the use of other investments that may be permitted by future law, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment.

Defaults and Remedies

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of principal or interest on the Certificates when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the failure to perform which materially, adversely affects the rights of the registered owners of the Certificates, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign 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 sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance covenants. 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 Certificates.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Sources and Uses of Funds

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

Sources of Funds	Amount
Par Amount of Certificates:	$ 5,945,000.00
Premium:	674,712.20
Accrued Interest:	7,268.75
Total Sources of Funds	$ 6,626,980.95
Uses of Funds	
Deposit to Project Fund:	$ 6,478,679.34
Deposit to Debt Service Fund:	7,268.75
Costs of Issuance:	95,000.00
Underwriter’s Discount:	46,032.86
Total Uses of Funds	$ 6,626,980.95

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the last day of the month next preceding such interest payment date. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Registration

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

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each stated maturity of the Certificates, in the aggregate principal amount of each 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 certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

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

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

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

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the Issuer or the Paying Agent/Registrar. Under such circumstances, and in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered to DTC Participants or the Beneficial Owners, as the case may be.

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, physical Certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Underwriter believes to be reliable, but neither the Issuer nor the Underwriter takes responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT POLICIES

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (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 is guaranteed or insured by or backed by the full faith and credit of, the State 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 governing body or 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 the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") 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 FDIC or the NCUSIF, or their respective successors, or 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) of the 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 that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, 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) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States 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 (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and 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 and are pledged to the City and deposited with the City or a third party selected and approved by the City.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution. The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than ten (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.

Political subdivisions such as the City are authorized to implement 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 (12) through (14) 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.

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 include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. 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, the City's 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 City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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 strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than

90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of April 30, 2021, the City had investments totaling $2,561,000.00 (unaudited) held in investment pools and certificates of deposit.

DEFINED BENEFIT PENSION PLAN

The City of Gilmer participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State 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. 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. 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. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the City's Annual Financial Report", Note H, Page 50.

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 has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

The City contributes to the SDBF at a contractually required rates 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. For more detailed information concerning the other post-employment benefits, see Appendix D, "Notes to the Basic Financial Statements from the City's Annual Financial Report", Note I, Page 58.

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Upshur County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three 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"). See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM TAX PROCEDURES – Issuer and Taxpayer Remedies."

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, attributable to state mandated homestead exemptions.

Local Option Homestead Exemptions

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

Other Exempt Property

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

Tax Increment 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 project costs, as defined in Chapter 311, Texas Government Code, general located 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 the TIRZ and are not available for the payment of other obligations of such taxing units. See "CITY APPLICATION OF THE PROPERTY TAX CODE" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

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

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but 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.

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax 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 Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% tax collection rate.

Issuer and Taxpayer Remedies

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

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

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

City’s Rights in the Event of Tax Delinquencies

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

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

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

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

Levy and Collection of Taxes

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

Penalties and Interest

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

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13

June	10	5	15
July[(a)]	12	6	18

[(a)] *After July, penalty remains at 12% and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be 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.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants a local exemption of $5,460 to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City grants property owned by disabled veterans or by the surviving spouse and surviving minor children of disabled veterans a local exemption in amounts ranging from $5,000 to $12,000 depending on the disability rating of the veteran.

The City does not grant any additional exemptions for residence homesteads.

The City taxes only business income-producing personal property.

The City does allow quarterly payments, but does not allow discounts.

The City does tax freeport property. The City taxes goods-in-transit.

The City has not established a freeze on the taxes on residence homesteads of persons 65 years of age or who are disabled.

The City has not entered into any tax abatement agreements.

ADDITIONAL TAX COLLECTIONS

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates.

The City also collects a one-half percent local sales and use tax to be expended for authorized economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended.

Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

The total local sales tax rate for the City is 1.5%.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See Appendix C - Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering 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 accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued 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 Certificates 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 (a) 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 (b) 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, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificates 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 Certificates.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Certificates" to the extent such gain does not exceed the accrued market discount of such Certificates; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under Federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a) (2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax exempt obligations" shall be reduced by twenty percent (20%) as a "financial institution preference item."

In the Ordinance, the City designates the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code and, in furtherance of that designation, the City covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates would not be "qualified tax-exempt.**

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law.

The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on October 7, 2020 of Executive Order GA-32, which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, local government operations, youth camps, recreational programs, schools and religious services, do not have the foregoing limitations. The Governor's other also states, in providing or obtaining services, every person (including individuals, businesses and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-28 permits visits to nursing homes, state supported living centers, assisted living facilities, or long term care facilities as determined through the guidance from the Texas Health and Human Services Commission. Executive Order GA-32 remains in place until amended, rescinded or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference either expressly or by implication into this Official Statement.

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 ad valorem tax revenues within the City. The Certificates 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 Certificates as well as the City's operations and maintenance expenses. See "AD VALOREM TAX PROCEDURES" herein.

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

LEGAL MATTERS

The City will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. A form of such opinion is attached hereto as Appendix C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Certificates, will also be furnished. In connection with the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City. Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE CERTIFICATES" (except under the subcaptions "Payment Record" and "Default and Remedies"), "REGISTRATION, TRANSFER AND EXCHANGE", "LEGAL MATTERS" (excluding the last two sentences of the second paragraph thereof), "TAX MATTERS", "OTHER PERTINENT INFORMATION- Registration and Qualification of Certificates for Sale" and

"CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Order. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

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

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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates unless it amends or repeals the agreement as described below. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available free of charge from the MSRB's Electronic Municipal Market Access ("EMMA") System at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA system. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables 1, 12, 13 and 14 in Appendix A and its annual audited financial statements. The City will update and provide the information in Tables 1, 12, 13 and 14 in Appendix A within six months after the end of each fiscal year ending in and after 2021. The City will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in or after 2021. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will 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 statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D hereto or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site identified above or filed with the SEC, as permitted by SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in Tables 1, 12, 13 and 14 in Appendix A by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) as described above. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

Notice of Certain Events

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

For these purposes, any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "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) a guarantee of (i) or (ii); provided however, that a "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.

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic format with identifying information in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

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 (including an official statement or other offering document), if it is available to the public on the MSRB's Internet website or has been filed with the SEC.

Limitations and Amendments

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

The City may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorize such an amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

During the past five years, the City has substantially complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Litigation

The City is not a party to any pending or threatened litigation.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION – Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates 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 fair market value. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes.

Ratings

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

Financial Advisor

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

Underwriting

The Underwriter has agreed, subject to certain customary conditions, to purchase the Certificates at a price equal to the initial offering prices to the public, as shown on the inside cover page, less an Underwriter's Discount of $46,032.86. The Underwriter's obligation is subject to certain conditions precedent, and the Underwriter' will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter's obligations are subject to certain conditions precedent, and will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers, and others at prices lower than such respective public offering prices and such respective public prices may be changed, from time to time, by the Underwriter.

The Underwriter provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

AUDITED FINANCIAL STATEMENTS

Karen A. Jacks & Associates, P.C., the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. Excerpts from the report of Karen A. Jacks & Associates, P.C. relating to City's financial statements for the fiscal year ended September 30, 2020 are included in this Official Statement in Appendix D; however, Karen

A. Jacks & Associates, P.C. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CONCLUDING STATEMENT

The financial data and other information contained in this Official Statement have been obtained from the City’s 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 ordinance contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

In the Ordinance, the City Council authorized (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter’s use of this Official Statement in connection with the public offering and the sale of the Certificates in accordance with the provisions of the Rule.

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE CITY

ASSESSED VALUATION — TABLE 1

2020 Actual Market Value of Taxable Property			$ 403,707,177
Less Exemptions:			
Over 65 or Disabled		$ 2,194,180	
Exempt Property		78,951,444	
Veterans Exemptions		2,790,549	
Pollution Control Value Loss		3,430	
HB 366		28,527	
Productivity Value Loss		939,730	
Homestead Cap Adjustment		543,061	
	Total Exemptions	$ 85,450,921	
2020 Net Taxable Assessed Valuation			$ 318,256,256

Source: Upshur County Appraisal District.

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Principal Outstanding	
General Obligation Refunding Bonds, Series 2013	$ 2,130,000
Combination Tax & Revenue Certificates of Obligation, Series 2015	2,290,000
General Obligation Refunding Bonds, Series 2020	3,140,000
The Certificates	5,945,000
Total Gross General Obligation Debt Outstanding:	$ 13,505,000
Less: Self-Supporting General Obligation Debt (See Table 7)	$ 10,172,521
Total Net General Obligation Debt Outstanding:	$ 3,332,479
Ratio of Net General Obligation Debt to 2020 Net Assessed Valuation available for General Obligation Debt	1.05%
2020 Net Assessed Valuation available for General Obligation Debt	$ 318,256,256

Population: 1990 - 6,027; 2000 - 6,078; 20 2020 -	5,184
Per Capita 2020 Net Assessed Valuation -	$61,392
Per Capita Gross General Obligation Debt -	$2,605
Per Capita Net General Obligation Debt -	$643

OTHER OBLIGATIONS **TABLE 3**

None.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 4**

Fisc Year 30-Sep	Current Total Debt Service	The Certificates Principal	The Certificates Interest	The Certificates Total	Combined Debt Service	Less: Self-Supporting Debt [(a)]	Net General Obligation Debt Service
2021	$ 988,463				$ 988,463	$ 411,745	$ 576,718
2022	983,540	$ 195,000	$ 203,525	$ 398,525	1,382,065	805,048	577,018
2023	984,840	230,000	168,600	398,600	1,383,440	806,323	577,118
2024	992,190	235,000	161,700	396,700	1,388,890	810,223	578,668
2025	993,640	245,000	154,650	399,650	1,393,290	813,473	579,818
2026	994,340	250,000	147,300	397,300	1,391,640	811,123	580,518
2027	988,900	260,000	139,800	399,800	1,388,700	808,063	580,638
2028	309,150	265,000	132,000	397,000	706,150	706,150	
2029	321,500	275,000	124,050	399,050	720,550	720,550	
2030	318,250	280,000	115,800	395,800	714,050	714,050	
2031	314,850	290,000	107,400	397,400	712,250	712,250	
2032	321,300	300,000	98,700	398,700	720,000	720,000	
2033	317,300	310,000	89,700	399,700	717,000	717,000	
2034	316,200	315,000	80,400	395,400	711,600	711,600	
2035		325,000	70,950	395,950	395,950	395,950	
2036		335,000	61,200	396,200	396,200	396,200	
2037		345,000	51,150	396,150	396,150	396,150	
2038		355,000	40,800	395,800	395,800	395,800	
2039		365,000	30,150	395,150	395,150	395,150	
2040		380,000	19,200	399,200	399,200	399,200	
2041		390,000	7,800	397,800	397,800	397,800	
	$ 9,144,463	$ 5,945,000	$ 2,004,875	$ 7,949,875	$ 17,094,338	$ 13,043,845	$ 4,050,493

[(a)] General obligation debt in the amounts shown for which repayment is provided from revenue other than ad valorem taxes. The amount of self supporting debt is based on the percentages of revenue support as shown in "COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE – TABLE 7" and "COMPUTATION OF UTILITY SYSTEM SELF-SUPPORTING DEBT – TABLE 8". It is the City's current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess and ad valorem tax sufficient to make such payments.

TAX ADEQUACY (Includes Self-Supporting Debt) **TABLE 5**

2020 Assessed Valuation available for General Obligation Debt.	$ 318,256,256
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2025) [(a)]	$ 1,393,290
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.446723

[(a)] Includes general obligation self-supporting debt. Includes the Certificates.

Note: The above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 6**

2020 Assessed Valuation available for General Obligation Debt.	$ 318,256,256
Maximum Annual Debt Service Requirements(Fiscal Year Ending 2027) [(a)]	$ 580,638
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.186167

[(a)] Excludes general obligation self-supporting debt. Includes the Certificates.

Note: The above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

COMPUTATION OF SELF-SUPPORTING DEBT BY SOURCE — TABLE 7

General Obligation Refunding Bonds, Series 2013		
Gross Balance Outstanding:	$	2,130,000
% of Self Supporting Utility System		0.00%
Balance Supported by Utility System	$	-
Combination Tax and Revenue Certificates of Obligation, Series 2015		
Gross Balance Outstanding:	$	2,290,000
% of Self Supporting Utility System		47.49%
Balance Supported by Utility System	$	1,087,521
General Obligation Refunding Bonds, Series 2020		
Gross Balance Outstanding:	$	3,140,000
% of Self Supporting Utility System		100.00%
Balance Supported by Utility System	$	3,140,000
The Certificates		
Gross Balance Outstanding:	$	5,945,000
% of Self Supporting EDC Sales Tax Revenue		100.00%
Balance Supported by Utility System	$	5,945,000
Combined Totals:		
Gross Balance Outstanding:	$	13,505,000
Balance Supported by Utility System:	$	4,227,521
% Self Supporting from Utility System:		31.30%
Balance Supported by EDC Sales Tax Revenue:	$	5,945,000
% Self Supporting from EDC Sales Tax Revenue:		44.02%

COMPUTATION OF REVENUE FOR SELF-SUPPORTING DEBT **TABLE 8**

(as of September 30, 2020)

System Operating Revenues	$ 2,131,581
Operating Expenses	1,217,056
Net Revenues	$ 914,525
Less: Debt Service on Revenue Bonds	-
Balance Available for Other Purposes	$ 914,525
Maximum Annual Debt Service for Utility Self-Supporting Debt (2025)	$ 413,823
Economic Development Corp Sales Tax Revenues:	$ 700,083
Operating Expenses	1,250
Net Revenues	$ 698,833
Less: Maximum Debt Service on Revenue Bonds	159,300
Balance Available for Other Purposes	$ 539,533
Maximum Annual Debt Service for Utility Self-Supporting Debt (2028)	$ 399,800

Source: The Issuer's Audit.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 9**

Fiscal Year Ending 9/30	Outstanding Debt	The Certificates	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2021	$ 765,000		$ 765,000	$ 13,060,000	5.53%
2022	790,000	$ 195,000	985,000	12,075,000	12.66%
2023	810,000	230,000	1,040,000	11,035,000	20.18%
2024	840,000	235,000	1,075,000	9,960,000	27.96%
2025	865,000	245,000	1,110,000	8,850,000	35.99%
2026	890,000	250,000	1,140,000	7,710,000	44.23%
2027	910,000	260,000	1,170,000	6,540,000	52.69%
2028	255,000	265,000	520,000	6,020,000	56.46%
2029	275,000	275,000	550,000	5,470,000	60.43%
2030	280,000	280,000	560,000	4,910,000	64.48%
2031	285,000	290,000	575,000	4,335,000	68.64%
2032	300,000	300,000	600,000	3,735,000	72.98%
2033	305,000	310,000	615,000	3,120,000	77.43%
2034	310,000	315,000	625,000	2,495,000	81.95%
2035		325,000	325,000	2,170,000	84.30%
2036		335,000	335,000	1,835,000	86.73%
2037		345,000	345,000	1,490,000	89.22%
2038		355,000	355,000	1,135,000	91.79%
2039		365,000	365,000	770,000	94.43%
2040		380,000	380,000	390,000	97.18%
2041		390,000	390,000		100.00%
	$ 7,880,000	$ 5,945,000	$ 13,825,000		

TAXABLE ASSESSED VALUATION

TABLE 10

Year	Net Taxable Assessed Valuation	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2016	$ 289,523,128	$ 2,834,286	0.99%
2017	306,426,633	16,903,505	5.84%
2018	310,374,856	3,948,223	1.29%
2019	322,035,431	11,660,575	3.76%
2020	318,256,256	(3,779,175)	(1.17%)

Source: Upshur County Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 11

Category	2020	% of Total	2019	% of Total	2018	% of Total
Land, Homsite	$ 13,153,563	3.26%	$ 13,616,716	3.32%	$ 13,180,836	3.29%
Land, Non-homesite	47,677,713	11.81%	48,248,686	11.76%	52,899,693	13.19%
Land, Ag Market	414,950	0.10%	444,230	0.11%	546,530	0.14%
Land, Timber Market	555,030	0.14%	557,090	0.14%	565,980	0.14%
Improvement, Homesite	99,478,578	24.64%	105,874,064	25.81%	96,465,969	24.06%
Improvement, Non-homesite	187,908,587	46.55%	188,416,469	45.92%	187,210,668	46.69%
Non-real, Personal Property	54,364,016	13.47%	52,855,499	12.88%	49,923,231	12.45%
Non-real, Mineral Property	154,740	0.04%	259,401	0.06%	160,421	0.04%
Total Appraised Value	403,707,177	100.00%	$ 410,272,155	100.00%	$ 400,953,328	100.00%
Less Exemptions/Value Loss:						
Over 65 or Disabled	$ 2,194,180		$ 2,213,120		$ 2,231,320	
Disabled and Deceased Veterans	2,790,549		2,700,476		2,193,820	
Productivity Value Loss	939,730		971,060		1,082,090	
Homestead Cap Adjustment	543,061		1,144,953		433,318	
HB 366	28,527		30,161		24,711	
Exempt Property	78,951,444		81,156,158		84,592,417	
Pollution Control	3,430		20,796		20,796	
Total Exemptions	$ 85,450,921		$ 88,236,724		$ 90,578,472	
Net Taxable Valuation	**$ 318,256,256**		**$ 322,035,431**		**$ 310,374,856**	

Source: Upshur County Appraisal District.

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS 2020 **TABLE 12**

Name	Type of Business	Assessed Valuation	Valuation
Rob Roy Industries	Plastic Coated Conduit Mfr.	$ 11,963,660	3.76%
Wal-mart Stores Texas LLC	Retail Store	7,486,640	2.35%
Hickson Lumber Sales of Texas	Lumber	4,692,080	1.47%
Wesley Partners LTD	Medical	4,280,570	1.35%
AEP Southwestern Elec Power Co	Electric Utility	3,966,480	1.25%
Coil Specialist Inc	HVAC	3,422,560	1.08%
Gilmer National Bank	Bank	3,271,370	1.03%
Westco Family Properties LLC	Property Management	2,948,080	0.93%
ETEX Telephone Coop Inc	Telephone Utility	2,799,920	0.88%
Rob Roy Industries	Plastic Coated Conduit Mfr.	2,703,690	0.85%
		$ 47,535,050	14.94%

Information based on a 2020 Net Taxable Assessed Valuation of $ 318,256,256

PRINCIPAL TAXPAYERS 2019

Name	Type of Business	Assessed Valuation	Valuation
Rob Roy Industries	Plastic Coated Conduit Mfr.	$ 9,711,060	3.02%
Wal-mart Stores Texas LLC	Retail Store	9,634,220	2.99%
Hixson Lumber Sales of Texas	Lumber	4,877,900	1.51%
Wesley Partners LTD	Medical	4,588,260	1.42%
AEP Southwestern Elec Power Co	Electric Utility	3,288,050	1.02%
Gilmer National Bank	Bank	3,264,620	1.01%
Coil Specialist Inc	HVAC	3,190,680	0.99%
ETEX Telephone Coop Inc	Telephone Utility	2,800,180	0.87%
First National Bank Gilmer	Bank	2,679,000	0.83%
Automotive Properties	Commercial	2,650,810	0.82%
		$ 46,684,780	14.50%

Information based on a 2019 Net Taxable Assessed Valuation of $ 322,035,431

PRINCIPAL TAXPAYERS 2018

Name	Type of Business	Assessed Valuation	Valuation
Wal-mart Stores Texas LLC	Retail Store	$ 9,448,730	3.04%
Rob Roy Industries	Plastic Coated Conduit Mfr.	7,549,420	2.43%
Wesley Partners LTD	Medical	4,308,120	1.39%
AEP Southwestern Elec Power Co	Electric Utility	4,037,470	1.30%
Hixson Lumber Sales of Texas	Lumber	3,523,210	1.14%
Gilmer National Bank	Bank	3,311,640	1.07%
ETEX Telephone Coop Inc	Telephone Utility	2,800,450	0.90%
Coil Specialist Inc	HVAC	2,758,390	0.89%
First National Bank Gilmer	Bank	2,658,390	0.86%
Dean Lumber Company	Lumber	2,641,830	0.85%
		$ 43,037,650	13.87%

Information based on a 2018 Net Taxable Assessed Valuation of $ 310,374,856

Source: Upshur County Appraisal District.

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protest. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PROPERTY TAX RATES AND COLLECTIONS — TABLE 13

Tax Year	Net Taxable Valuation (1)	Tax Rate	Adjusted Levy	% Collections Current	% Collections Total	Year Ended
2016	$ 289,523,128	$ 0.6295	$ 1,822,615	96.85	100.00	9/30/2017
2017	306,426,633	0.6295	1,929,017	99.04	100.00	9/30/2018
2018	310,374,856	0.6295	1,950,290	98.44	100.00	9/30/2019
2019	322,035,431	0.6295	2,005,209	96.72	100.00	9/30/2020
2020	318,256,256	0.6351	2,027,287	(In Process of Collection)		9/30/2021

Source: Upshur County Appraisal District and the City.

TAX RATE DISTRIBUTION — TABLE 14

	2020/21	2019/20	2018/19	2017/18	2016/17
General Fund	$ 0.45563	$ 0.44749	$ 0.43880	$ 0.44019	$ 0.43383
I & S Fund	0.17947	0.18204	0.19072	0.18910	0.19569
TOTAL	$ 0.63510	$ 0.62952	$ 0.62952	$ 0.62929	$ 0.62952

Sources: Upshur County Appraisal District.

MUNICIPAL SALES TAX — TABLE 15

The City has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. The City is also collects a one-half percent local sales and use tax to be expended for authorized economic development purposes in accordance with Chapters 501, 502 and 504, Texas Local Government Code, as amended.

Calendar Year	Total Collected	1.00% City	0.50% EDC
2016	1,602,819	1,068,546	534,273
2017	1,667,306	1,111,538	555,769
2018	1,782,581	1,188,387	594,194
2019	1,924,718	1,283,146	641,573
2020	2,121,427	1,414,285	707,142
2021	684,539 *	456,359 *	228,180 *

Source: Texas Comptroller of Public Accounts.

* Through April 2021

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 16**

Taxing Body	As of	Amount		% Overlapping	Amount Overlapping
Gilmer ISD	4/30/2021	$ 45,400,000		35.91%	$ 16,303,140
Upshur County	4/30/2021	-		13.95%	-
			Total Gross Overlapping Debt		$ 16,303,140
City of Gilmer		$ 13,505,000 [(1)]		100.00%	13,505,000
Total Direct and Overlapping Debt					$ 29,808,140

Ratio of Direct and Overlapping Debt to 2020 Assessed Valuation	9.37%
Ratio of Direct and Overlapping Debt to 2020 Actual Value	7.38%
Per Capita Direct and Overlapping Debt	$5,750.03

Note: The above figures show Gross General Obligation Debt for the City of Gilmer, Texas

The Issuer's Net General Obligation Debt is $ 3,332,479

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	$ 19,635,619
Ratio of Direct and Overlapping Debt to 2020 Assessed Valuation	6.17%
Ratio of Direct and Overlapping Debt to 2020 Actual Value	4.86%
Per Capita Direct and Overlapping Debt	$3,787.74

(1) Includes the Certificates. (See "GENERAL OBLIGATION BONDED DEBT" herein.)

Source: Texas Municipal Reports prepared by the Municipal Advisory Council of Texas and the City.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 17**

Governmental Entity	2020 Valuation	2020 Tax Rate
Gilmer ISD	$ 889,846,123	$ 1.3990
Upshur County	21,831,040,070	0.6150

Source: Upshur County Appraisal District.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES **TABLE 18**

None.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES **TABLE 19**

	Fiscal Year Ending September 30				
	2020	**2019**	**2018**	**2017**	**2016**
Fund Balance - Beginning of Year	$ 2,255,956	$ 1,833,587	$ 1,561,965	$ 1,462,216	$ 2,991,492
Revenues:					
Property Taxes	$ 1,441,470	$ 1,346,310	$ 1,316,231	$ 1,242,910	$ 1,200,079
Penalty and Interest	18,233	16,235	14,981	21,520	24,188
Sales Taxes	1,404,959	1,268,371	1,179,408	1,100,982	1,069,030
Franchise Taxes	392,935	322,465	332,181	319,980	318,246
Other Taxes	54,022	61,302	53,756	56,213	61,625
Fines & Forfeitures	176,228	217,582	206,197	216,939	231,060
Licenses and Permits	32,221	39,581	36,667	23,784	26,856
Intergovernmental Revenue	126,000	126,000	126,000	122,954	73,540
Investment Income	18,407	24,937	11,092	11,046	16,656
Rents & Royalties	17,025	4,830	4,655	5,518	5,462
Donations or grants	288,446	20,035	7,627	1,686	101,831
Other Revenue	80,659	53,002	54,086	84,503	60,149
Total Revenues	$ 4,050,605	$ 3,500,650	$ 3,342,881	$ 3,208,035	$ 3,188,722
Expenditures:					
Legislative	$ 28,839	$ 25,693	$ 21,864	$ 30,005	$ 26,940
Municipal Court	83,031	83,700	86,393	84,075	86,969
Executive/Administration	224,736	232,377	268,506	316,674	392,383
Community Development	150,281	156,308	147,105	140,512	166,289
Financial Administration	177,685	174,276	164,495	163,758	156,835
Police Department	1,570,565	1,441,062	1,465,536	1,339,236	1,350,297
Fire Protection	1,130,739	660,257	625,501	638,413	692,493
Highways & Streets	323,446	301,282	262,472	542,318	2,116,784
Parks	61,680	126,080	85,733	128,459	500
Lake	46,415	2,415	1,515	10,100	
Civic Center	-	-	-	-	-
Non-departmental	236,235	229,711	238,161	246,708	193,396
Debt Service					
- Principal			-	-	-
- Interest & Other Charges		-	-	-	-
Total Expenditures	$ 4,033,652	$ 3,433,161	$ 3,367,281	$ 3,640,258	$ 5,182,886
Excess (Deficit) of Revenues Over Expenditures	$ 16,953	$ 67,489	$ (24,400)	$ (432,223)	$ (1,994,164)
Other Financing Sources (Uses)					
Bond Proceeds					
Premium on Issuance of debt					
Sale of Assets	$ -	$ 8,808	$ 30,330	$ 129,462	
Transfers In	126,691	501,159	834,931	631,290	$ 674,992
Transfers Out	(146,969)	(155,087)	(569,240)	(228,780)	(210,104)
Total	$ (20,278)	$ 354,880	$ 296,021	$ 531,972	$ 464,888
Net Change in Fund Balances	$ (3,325)	$ 422,369	$ 271,621	$ 99,749	$ (1,529,276)
Adjustments					
Fund Balance - End of Year	$ 2,252,631	$ 2,255,956	$ 1,833,587	$ 1,561,965	$ 1,462,216

Source: The Issuer's Financial Statements.

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APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF GILMER AND UPSHUR COUNTY, TEXAS

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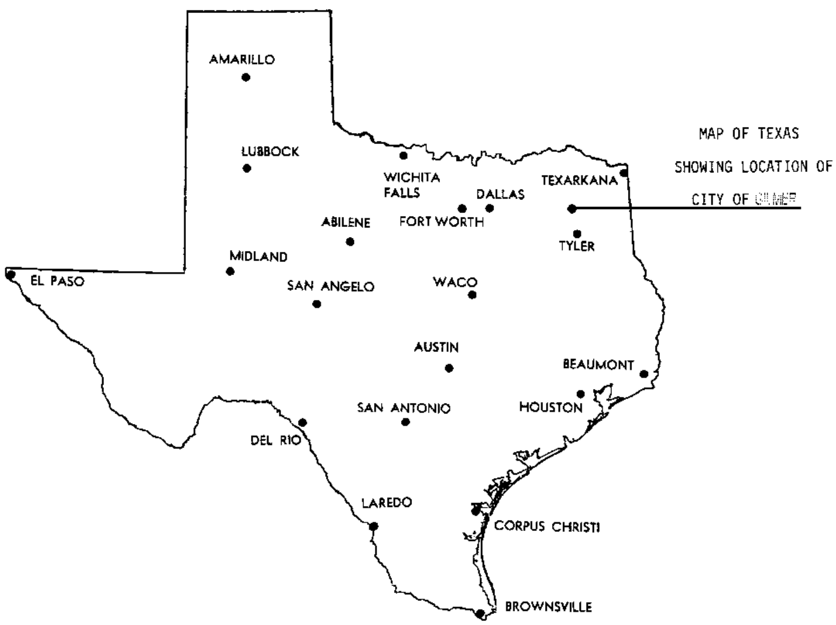
GENERAL INFORMATION REGARDING
THE CITY OF GILMER AND UPSHUR COUNTY, TEXAS

The City is the county seat and principal commercial center of Upshur County, located in northeast Texas approximately 112 miles east of Dallas at the intersection of U.S. Highway 271 and State Highways 154 and 155. It is the home of the Yamboree, a type of homecoming festival attracting people from all over the country each October. The 2021 population estimate is 5,100. Many residents commute to Longview or other surrounding areas for employment.

The County is traversed by U.S. Highways 259 and 271; State Highways 154, 155 and 300; and many farm-to-market roads. The economy is based on manufacturing, agribusiness, service and tourism. Principal sources of agricultural income include vegetables, poultry, hay, peaches, timber and dairy and beef cattle. Minerals found in the county include gas and oil, sand and gravel. Upshur County is a component of the Longview MSA.

MAP OF TEXAS SHOWING LOCATION OF THE CITY OF GILMER



POPULATION TRENDS

Year	City of Gilmer	Upshur County
2021 Estimate	5,100	40,500
2010 Census	4,905	39,309
2000 Census	4,799	35,291
1990 Census	4,822	31,370

Source: U.S. Census Bureau and the issuer.

LEADING EMPLOYERS IN LONGVIEW AREA

Employer	Principal Line of Business	Approx. Employees
Christus Good Shepherd Health System	Medical Services	2,530
Eastman Chemical	Chemicals	1,481
Longview Independent School District	Public Schools	1,260
Longview Regional Medical Center	Medical Services	1,150
Wal-Mart	Retail	930
Trinity Rail, LLC	Railway Cars	900
City of Longview	Government	839
Pine Tree Independent School District	Public Schools	848
Komatsu	Heavy Equipment	560
Gregg County	Government	415

Sources: Longview Economic Development Corporation (LEDCO) as of April 2021.

EMPLOYMENT STATISTICS

The Texas Workforce Commission reports the following employment statistics for the Gilmer area:

	Upshur		Longview MSA[(a)]	
	March 2020	March 2021	March 2020	March 2021
Total Civilian Labor Force	17,687	17,533	97,158	96,240
Total Employment	16,702	16,191	91,776	88,690
Total Unemployment	985	1,342	5,382	7,550

[(a)] The Longview MSA is comprised of the Counties of Gregg, Rusk and Upshur.

UNEMPLOYMENT RATES

	March 2020	**March 2021**
Upshur County	5.6%	7.7%
Longview-Marshall MSA [(a)]	5.5	7.8
State of Texas	5.1	7.2
United States of America	4.5	6.2

[(a)] The Longview MSA is comprised of the Counties of Gregg, Rusk and Upshur.

Source: Texas Workforce Commission, Austin, Texas

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.

CITY OF GILMER, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2021

IN THE AGGREGATE PRINCIPAL AMOUNT OF $5,945,000

AS BOND COUNSEL FOR THE CITY OF GILMER, TEXAS, (the "Issuer") in connection with the issuance of the Certificates of Obligation described above (the "Certificates"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "Ordinance"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Certificates, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Certificates and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

APPENDIX D

EXCERPTS FROM THE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2020

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

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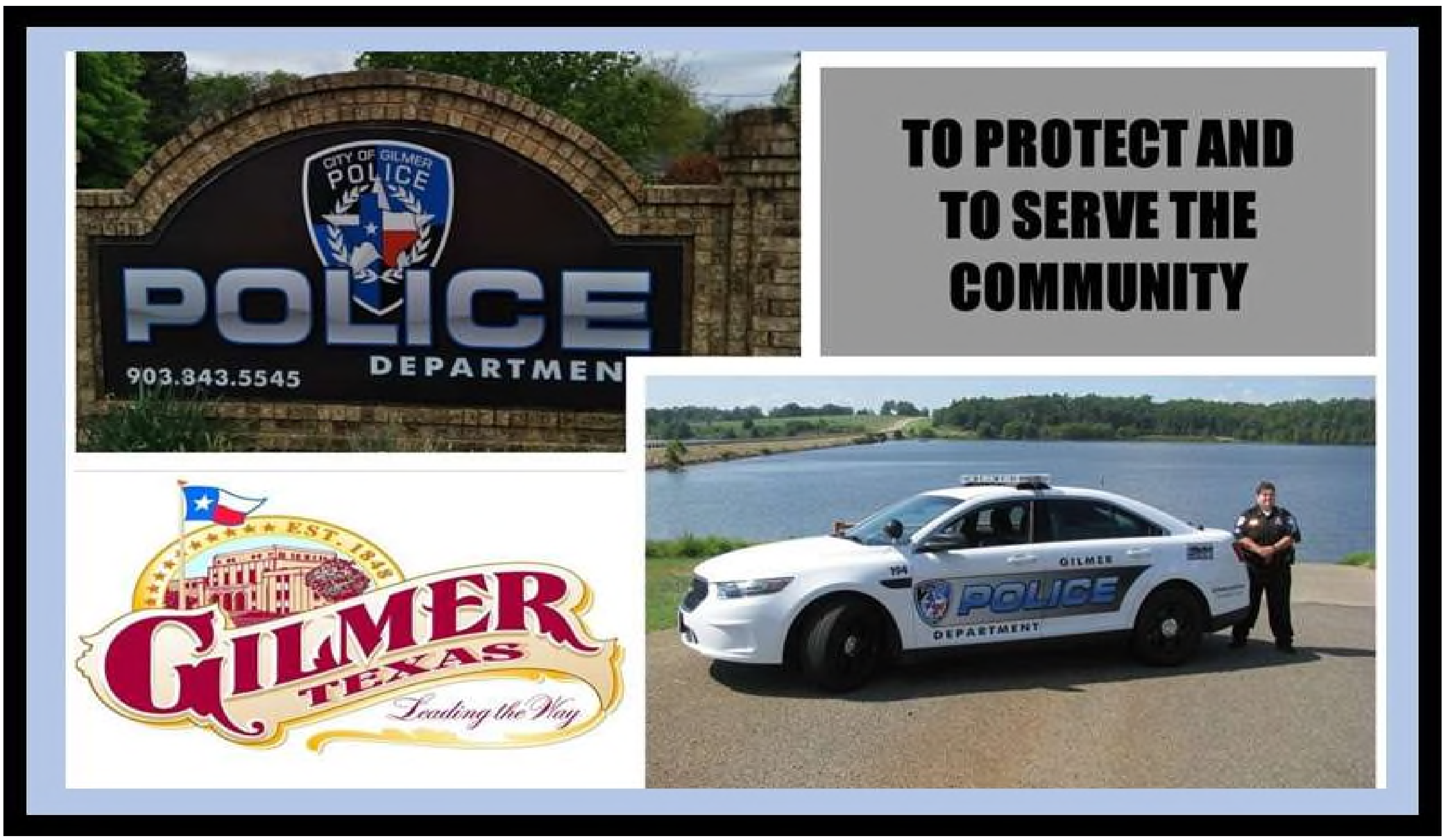
Comprehensive Annual Financial Report
For the Fiscal Year Ended September 30, 2020



Your Community At Your Fingertips
110 Buffalo Street I Gilmer, Texas 75644
903.843.2552 I Gilmer-TX.com

CITY OF GILMER, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020

ISSUED BY

CITY OF GILMER, TEXAS

GREG HUTSON
CITY MANAGER

City of Gilmer, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2020

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City of Gilmer, Texas
Comprehensive Annual Financial Report
For The Year Ended September 30, 2020

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Introductory Section

March 31, 2021

The Honorable Mayor and City Council
of the City of Gilmer

The Texas Local Government Code states that a municipality shall have its records and accounts audited annually and shall have annual financial statements prepared based on the audit. The Comprehensive Annual Financial Report of the City of Gilmer, Texas (the "City") for the year ended September 30, 2020, is hereby submitted to fulfill that requirement.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to gain an understanding of the City's financial affairs have been included. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Karen A. Jacks & Associates, P.C., has issued an unmodified ("clean") opinion on the City of Gilmer's financial statements for the year ended September 30, 2020. The independent auditor's report is located at the front of the financial section of this report.

Management's discussion and analysis (the "MD&A") immediately follows the independent auditor's report and provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

PROFILES OF THE CITY

The City of Gilmer, founded in 1848, is the county seat of Upshur County. Gilmer is located 35 miles northeast of Tyler and 22 miles northwest of Longview. The city's namesake is Thomas W. Gilmer who died during the test firing of a new cannon on the USS *Princeton* on February 28, 1844. The City has a population of 5,100 within the Gilmer ISD school district. Gilmer ISD operates 1 elementary school, 1 intermediate school, 1 junior high, and 1 high school within city boundaries. The City of Gilmer operates under a council-manager form of government. The governing body is comprised of 2 at large elected council members, and 4 council members elected from their respective districts. The governing body is made up of a Mayor and six Council members. Length of office for all Council members and the Mayor are two-year staggered terms. The City Council appoints the City Manager, City Attorney, and Municipal Court Judge. All other staff members work either directly or indirectly under the direction of the City Manager.

The combined Financial Statements of the City of Gilmer include all governmental activities, business-type activities, organizations, and functions for which the City exercises significant oversight responsibility. The criteria considered in determining governmental activities to be reported within the City's combined financial statements are based upon and consistent with those set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards". Based on this criterion the Gilmer Economic Development Corporation is included in this report as a component unit of the City of Gilmer.

The City Council appoints its boards and commissions, which do not meet the established criteria for inclusion in the reporting entity and are therefore excluded from this report. They are the following:

1. Planning & Zoning
2. Board of Adjustments
3. Airport Advisory Board
4. Gilmer Housing Authority
5. Park Advisory Board
6. Condemnation Board

Currently, the City Council serves in these capacities. The City provides services to its citizens that are considered necessary and meaningful and that can be provided by the City at a reasonable cost. Major service provided under general government and enterprise functions are: police and fire protection, water, wastewater, solid waste, street upkeep and maintenance, stormwater, and general administrative services. Other services include code enforcement, building inspection, animal control, and economic development. The City operates a municipal court as established by City ordinance.

LOCAL ECONOMY

The City of Gilmer, the Northeast Texas Region, and the State of Texas have experienced steady economic growth over the last several years with continued expansion expected. The population (area and city) is expected to increase over the next few years. As such, the number and types of businesses will increase within the city. Types of existing businesses supporting the local economy include manufacturing, feed stores, repair businesses, restaurants, convenience stores, motels, retail, and other service-oriented businesses. The City's major sources of revenue are sales and ad valorem property taxes and have fluctuated according to prevailing business conditions.

In spite of the pandemic, the city sales tax continues to improve year over year. As people stayed closer to home, so did their sales tax dollars which benefit city finances. Property tax revenues also increased due to an increase in appraised values. However, all other revenue categories experienced declines due to measures and efforts taken by city, county, state, and national governments to combat and mitigate the spread of the Coronavirus (COVID-19).

The area unemployment rate for 2020 ranged from a high of 12.0% in May to 8.7% in November. The state unemployment rate for November was 8.1%. The unemployment rate continues to improve as the county, state, and nation recover from the pandemic of 2020.

The City and area economic development groups continue to combine efforts to make Gilmer and the surrounding area a better place to live, work, and play. The Economic Development Corporation, Gilmer Industrial Foundation, Upshur Area Business Roundtable, and Gilmer Area Chamber of Commerce are committed to marketing the City's assets and encouraging business relocation, retention, and entrepreneurial activity. The City of Gilmer is seeing continued growth and management believes we will continue to see increases in population and future development projects.

LONG-TERM FINANCIAL PLANNING

The City's overall financial position is sound. While some areas of the city finances took a "hit" due to the pandemic, overall, the effect was marginal at best. The reserves in all funds are adequate and will continue to increase over the next 3-5 years. Continued focus by management on cost containment and increased revenues are crucial toward meeting this ongoing objective. In addition, these reserves are monitored which is accomplished through continual refinement of long-range fund projections.

Improvements to water and sewer infrastructure are in process using CARES Act funds allocated to the city this year. Such improvements are a top priority for the city leadership.

FINANCIAL PROCEDURES AND BUDGETARY CONTROLS

The City's accounting records for general government are maintained on a modified accrual basis, with revenues being recorded when available and measurable, and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the City's water and sewer utility and other proprietary activities are maintained on the accrual basis. The budgetary process begins each year with the preparation of both current and proposed year revenue estimates by the City's financial management staff, and expenditure estimates by each City's division. Budgets are reviewed by the City Manager who submits a recommended budget to the City Council. The City Council approves all budget amendments.

MAJOR INITIATIVES

Major initiatives completed during the fiscal year include:

- Airport obstruction survey, and master plan
- Airport rehabilitation of runway, aprons, and taxiway
- Airport install of REIL lighting system
- Airport Security (controlled access gates by keypad code, camera/video system, and terminal building security)
- New City website with increased capabilities for interaction with the public
- Purchase of new fire truck
- Lake Gilmer spillway repair
- Windows 10 & Incode ERP software upgrades and new computer hardware city wide
- Pandemic related upgrades to HVAC at city hall to minimize airborne virus spread among city staff and citizens doing business at city hall.
- 2019 Street Improvements
    - Cherokee Trace (Madeline to Smith)
    - Park Street (Myra to Bledsoe)
    - Abney Street (Clark to Newsome+150')

Projects currently in process and/or undertaken in this fiscal year include:

- Grant funding of new generators (stationary & mobile) for wastewater treatment, pump stations, and other wells
- Airport LED runway lighting
- Airport GPS approach activation (requires clearances & respective survey)
- 2020 Street Improvements
    - Abney Street (Frazier to Clark)
    - Walnut Street (Montgomery to Bledsoe)
    - Mary Street (Montgomery to Bledsoe)
    - Pecan Street (Montgomery to Cherokee Trace)
    - Pecan Street (Montgomery to Bledsoe)
    - Mitchell (Walnut to Mary)

Projects (short term & long term) planned for the future include:

- Parks improvements/upgrades
- New land use map and updated zoning map
- Comprehensive Plan
- Security cameras on town square

OTHER INFORMATION

In mid-March, the City Manager locked down city hall for the remainder of the fiscal year. However, we continued to do business with citizens and the public without interruption. This was only possible because of the presence of a drive-thru (as this building was previously a bank) that was activated so that the public could continue to transact business with the city.

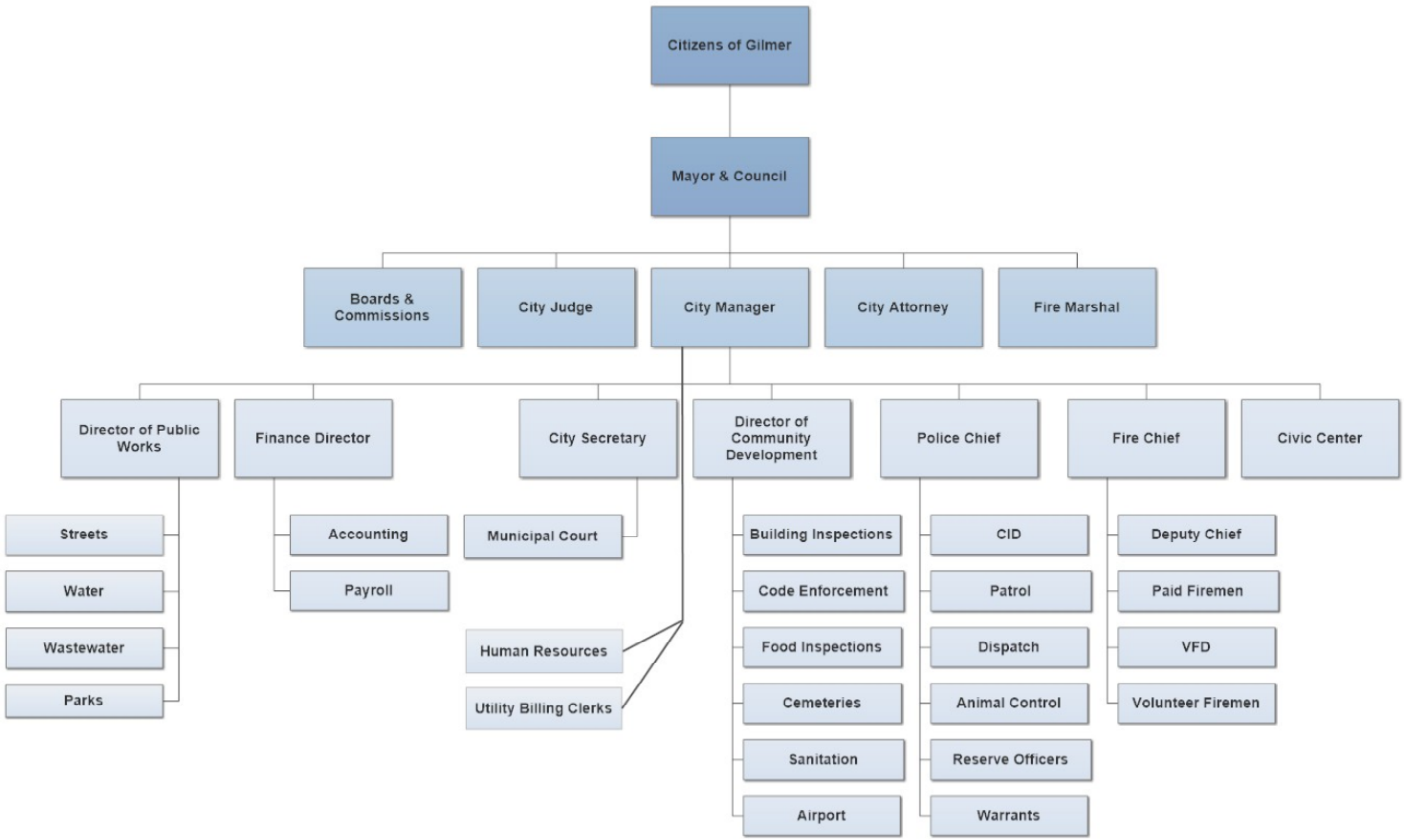
Gilmer ISD students and staff started the school year in a new high school with state-of-the-art technology. This new school represents a critical segment of economic development and quality of life in the City of Gilmer. It also represents the combined efforts of the school district, county, city, local businesses, and citizens working together to move the City forward for the betterment of the community and future generations. It is an exciting time to be in Gilmer, Texas.

Lastly, the preparation of this report could not have been accomplished without the efficient and dedicated services of the entire staff. I would like to express my appreciation to all members of the departments who assisted and contributed to the preparation of this report. Due credit is also given to the Mayor and City Council for their interest and support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

Greg Hutson
City Manager

City of Gilmer
Organization Chart



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Gilmer
Texas

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

September 30, 2019

Christopher P. Morrill

Executive Director/CEO

CITY OF GILMER, TEXAS
LIST OF PRINCIPAL OFFICIALS
SEPTEMBER 30, 2020

Elected Officials

Name	Office
Tim Marshall	Mayor
William Hornsby	Mayor Pro-Tem
Marty Jordan	Council Member
Brian Williams	Council Member
Teathel Hollis	Council Member
Michael Chevalier	Council Member
Jarom Tefteller	Council Member

Appointed Officials

Name	Position
Greg Hutson	City Manager
Maria Cisneros	City Secretary

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Financial Section

KAREN A. JACKS & ASSOCIATES, P.C.
Certified Public Accountants
P.O. Box 3167
Longview, Texas 75606
1501 Colony Circle
Longview, Texas 75604
Phone: 903·238·8822
Fax: 903·238·9838

Karen A. Jacks, CPA, CGMA
Peggy J. Lantz, CPA
Chanie A. Johnson, CPA

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Gilmer, Texas
110 Buffalo
Gilmer, Texas 75644

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Gilmer, 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

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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Gilmer, Texas' basic financial statements. The introductory section, combining nonmajor fund financial statements, budgetary comparison schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2021 on our consideration of City of Gilmer, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters**.** The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Gilmer, Texas' internal control over financial reporting and compliance.

Karen A. Jacks & Associates, P.C.

Karen A. Jacks & Associates, P.C.

Longview, Texas
March 17, 2021

City of Gilmer, Texas

Management's Discussion and Analysis

For Year Ended September 30, 2020

As management of the City of Gilmer, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information in the City's financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The City of Gilmer's assets and deferred outflows of resources on September 30, 2020 totaled $38,440,183 compared to its liabilities and deferred inflows of resources of $14,143,091; the excess of assets over liabilities (net position) was $24,297,092. The city's total net position increased by $1,727,114. The increase is attributable to a reduced amount of funds needed to repay debt.

- During the year ended September 30, 2020, the City approved the refunding of Waterworks & Sewer System Revenue Bonds, Series 2010, maturing 2021-2034 resulting in a savings of $561,115 over the remaining term of the refunded bond. Accelerating 96.5% of the interest savings over a period of 7 years resulted in an average annual savings of $77,320.

- The General Fund revenues were $4,050,605 with expenditures of $4,033,652. There were also net transfers out of the General Fund to other funds of $20,278 which resulted in a decrease to fund balance of $3,325. On September 30, 2020, the General Fund had a fund balance of $2,252,632.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide financial statements- The government-wide 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, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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 and administration and public safety. The business-type activities of the City include water and sewer, airport, and sanitation operations.

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 two major categories – governmental funds and proprietary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds Balance Sheet and the Governmental Fund Statements of Revenues, Expenditures, and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains three major 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, Economic Development and Debt Service funds. Data from the other non-major funds are combined into a single, aggregated presentation.

Proprietary Funds- The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer, airport, and sanitation operations.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water & Sewer and Sanitation funds since they are considered to be major funds of the City. The Airport fund is also included as an Enterprise fund but is maintained separately.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Gilmer, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $24,297,092, as of September 30, 2020, an increase of $1,727,114 from the previous year.

The largest portion of the City's net position, 75.89%, reflects its net investment in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF GILMER'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Current and other assets	$ 4,216,117	$ 4,566,325	$ 3,184,906	$ 3,705,533	$ 7,401,023	$ 8,271,858
Capital assets	11,417,062	11,305,401	18,021,763	18,269,095	29,438,825	29,574,496
Total assets	15,633,179	15,871,726	21,206,669	21,974,628	36,839,848	37,846,354
Deferred outflows related to pensions	537,907	213,130	133,253	55,261	671,160	268,391
Deferred outflows related to OPEB	933	18,077	233	4,805	1,166	22,882
Loss on defesance of debt	-	-	365,695	302,556	365,695	302,556
Total deferred outflows of resources	538,840	231,207	499,181	362,622	1,038,021	593,829
Current liabilities	667,263	765,147	973,338	961,901	1,640,601	1,727,048
Noncurrent liabilities, due in more than one year	5,993,645	5,093,680	7,548,948	6,871,028	13,542,593	11,964,708
Total liabilities	6,660,908	5,858,827	8,522,286	7,832,929	15,183,194	13,691,756
Deferred inflows related to pensions	89,389	341,661	22,075	93,581	111,464	435,242
Deferred inflows related to OPEB	10,586	12,713	2,647	3,380	13,233	16,093
Total deferred inflows of resources	99,975	354,374	24,722	96,961	124,697	451,335
Net position						
Capital assets	6,821,524	7,039,867	10,612,940	11,400,545	17,434,464	18,440,412
Restricted	1,673,212	1,936,525	109,639	89,166	1,782,851	2,025,691
Unrestricted	916,400	913,340	2,436,263	2,917,649	3,352,663	3,830,989
Total net position	$ 9,411,136	$ 9,889,732	$ 13,158,842	$ 14,407,360	$ 22,569,978	$ 24,297,092

Analysis of the City's Operations- Overall the City had an increase in net position of $1,727,114. Governmental activities increased the net position by $478,596 and net position from business-type activities increased by $1,248,518.

In fiscal year 2012, the City of Gilmer was awarded a grant from the Texas Department of Transportation. The grant proceeds, along with local matching funds, are to be used to acquire land for the City's airport. In fiscal year 2015, work began on the project. This project was completed in fiscal year 2020.

The following table provides a summary of the City's operations for the years ended September 30, 2019 and 2020.

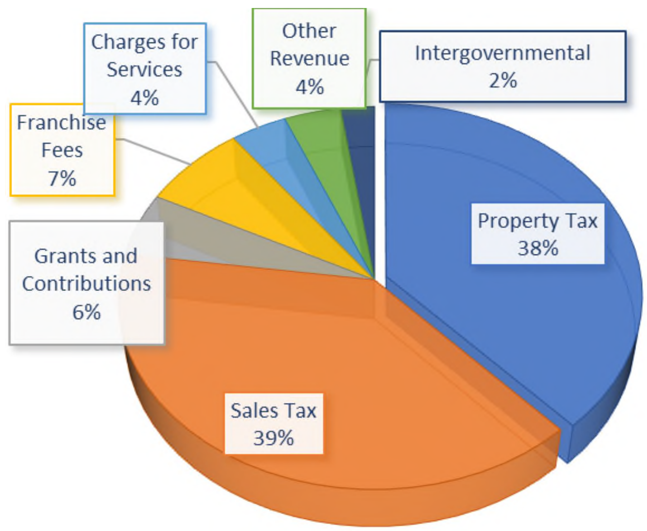
CITY OF GILMER'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
REVENUES:						
PROGRAM REVENUES:						
Charges for services	$ 443,157	$ 373,334	$ 2,976,975	$ 2,999,656	$ 3,420,132	$ 3,372,990
Operating grants & contributions	6,953	288,446	6,298	29,739	13,251	318,185
Capital grants & contributions	15,882	-	296,669	591,184	312,551	591,184
GENERAL REVENUES:						
Property taxes, levied for general purposes	1,355,243	1,425,331	-	-	1,355,243	1,425,331
Property taxes, levied for debt service	593,138	594,290	-	-	593,138	594,290
Sales taxes	1,268,371	1,404,959	-	-	1,268,371	1,404,959
Sales taxes for Economic Development	631,867	700,083	-	-	631,867	700,083
Franchise taxes	322,465	392,935	-	-	322,465	392,935
Other taxes	61,302	54,022	-	-	61,302	54,022
Penalty and interest	16,235	18,233	-	-	16,235	18,233
Investment earnings	38,871	32,299	18,429	18,558	57,300	50,857
Miscellaneous revenue	67,646	78,456	62,270	14,204	129,916	92,660
(Loss) Gain on sale of equipment	8,808	(10,942)	39,770	24,926	48,578	13,984
TOTAL REVENUES	4,829,938	5,351,446	3,400,411	3,678,267	8,230,349	9,029,713
EXPENSES:						
Legislative	25,693	28,839	-	-	25,693	28,839
Municipal court	88,044	84,401	-	-	88,044	84,401
Executive/administration	249,241	230,866	-	-	249,241	230,866
Community development	167,865	158,916	-	-	167,865	158,916
Financial administration	179,845	169,325	-	-	179,845	169,325
Police	1,511,949	1,570,996	-	-	1,511,949	1,570,996
Fire protection	751,576	707,629	-	-	751,576	707,629
Highways and streets	578,257	445,483	-	-	578,257	445,483
Parks	60,614	64,220	-	-	60,614	64,220
Lake	2,415	6,085	-	-	2,415	6,085
Civic center	278,199	266,937	-	-	278,199	266,937
Economic Development	297,806	297,806	-	-	297,806	297,806
Non departmental	251,713	245,373	-	-	251,713	245,373
Interest	195,367	171,882	-	-	195,367	171,882
Fiscal agent fees	2,900	2,900	-	-	2,900	2,900
Water & sewer	-	-	1,947,327	2,041,456	1,947,327	2,041,456
Sanitation	-	-	697,238	727,774	697,238	727,774
Airport	-	-	123,348	81,711	123,348	81,711
TOTAL EXPENSES	4,641,484	4,451,658	2,767,913	2,850,941	7,409,397	7,302,599
Increase in net position before transfers	188,454	899,788	632,498	827,326	820,952	1,727,114
Transfers in (out)	(57,072)	(421,192)	57,072	421,192	-	-
CHANGES IN NET POSITION	131,382	478,596	689,570	1,248,518	820,952	1,727,114
NET POSITION - BEGINNING	9,279,754	9,411,136	12,508,628	13,158,842	21,788,382	22,569,978
PRIOR PERIOD ADJUSTMENT	-	-	(39,356)	-	(39,356)	-
NET POSITION - ENDING	$ 9,411,136	$ 9,889,732	$ 13,158,842	$ 14,407,360	$ 22,569,978	$ 24,297,092

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

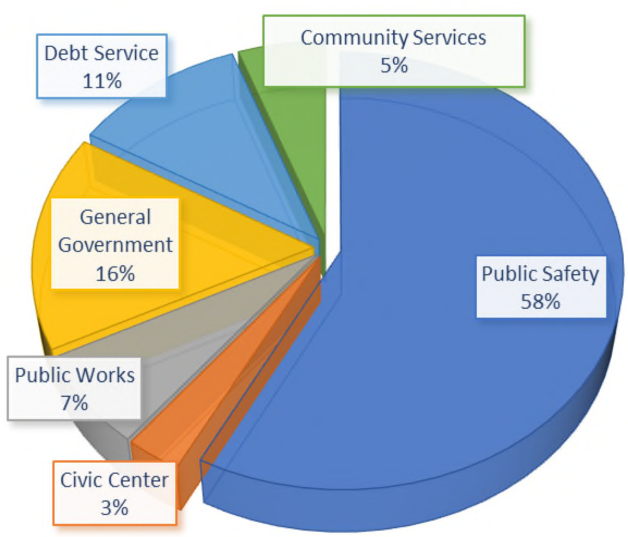
For the year ended September 30, 2020, revenues from governmental activities totaled $5,351,446. Property tax, sales tax, and charges for services are the City's largest revenue sources. Property tax receipts increased with no change in the city's adopted tax rate from the prior year. This increase is attributed to the rise in local property tax valuations. Sales tax receipts also increased in spite of the pandemic due to efforts by local, state, and federal governments to mitigate the spread of COVID-19. People stayed close to home and sales tax dollars did as well.

REVENUE

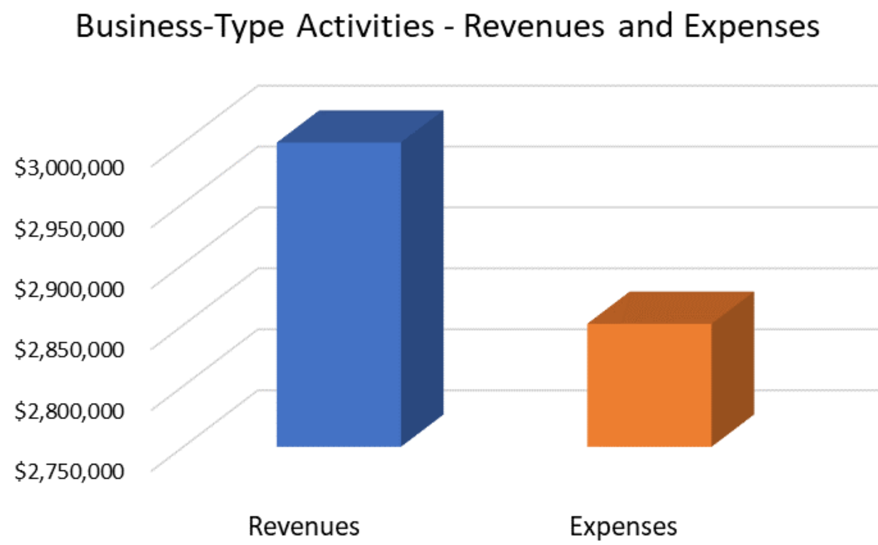


For the year ended September 30, 2020, expenses for governmental activities totaled $4,451,658. This represents an decrease of $189,826 or 4.1% from the prior year. The City's largest functional expense is public safety of $2,278,625 which increased $15,100 or 1.0% from the prior year. This increase is due in part, to a general increase in salaries and wages, and healthcare costs.

EXPENSES



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



For the year ended September 30, 2020, charges for services by business-type activities totaled $2,999,656. This is an increase of $22,681 or 0.01% from the previous year as a result of wetter weather than what is normal during the summer months. Grants and contributions increased by $317,956.

Total expenses increased by $83,028 or 2.99% from the previous year.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds- The focus of the City of Gilmer's governmental funds is to provide information on 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 a government's net resources available for spending at the end of the fiscal year. The City's governmental funds consist primarily of the General Fund, Economic Development Fund, Debt Service Fund, and Other Governmental Funds.

The City of Gilmer's general fund reported at end of the current fiscal year, an ending fund balance of $2,252,632 which is a decrease of $3,325 from last fiscal year's balance of $2,255,957. Of the current balance, $1,965,730 constitutes unassigned fund balance. $57,406 was committed for street maintenance. The remainder of the fund balance is restricted by statute or its providers, such as construction ($1,951) and other purposes ($148,155) or has been assigned by the City to express intent for a narrower purpose than general government obligations ($75,413) and to indicate that it is not available for new spending because it has already been obligated for debt service or other restricted purposes or assigned a specific City initiative. Information on the amounts restricted or assigned for other purposes can be found in the Notes to the Financial Statements.

The City of Gilmer's economic development fund reported at end of the current fiscal year, an ending fund balance of $1,625,465 which is an increase of $282,526 from last fiscal year's balance of $1,342,939. This fund balance is restricted by debt covenant and is not available for new spending.

The City of Gilmer's other governmental funds reported at end of the current fiscal year, an ending fund balance of $132,353 which is a decrease of $10,357 from last fiscal year's balance of $142,710. The fund balance is restricted by statute or its providers, such as other purposes ($140,245) to indicate that it is not available for new spending because it has already been obligated for restricted purposes. Information on the amounts restricted for other purposes can be found in the Notes to the Financial Statements.

Proprietary funds- The City's proprietary funds consist primarily of Water & Sewer, Sanitation, and Airport funds. These fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Total Net Position of the Water and Sewer fund at end of the current fiscal year was $10,359,144 which represents an increase of $547,736. Of the Total Net Position, $2,300,311 represents unrestricted net position at the end of the current fiscal year.

Total Net Position of the Sanitation fund at the end of the current fiscal year was $685,049 which represents an increase of $85,573. Of the Total Net Position, $454,565 represents unrestricted net position at the end of the current fiscal year.

Total Net Position of the Airport fund at the end of the current fiscal year was $3,363,167 which represents an increase of $615,209. Of the Total Net Position, $162,773 represents unrestricted net position at the end of the current fiscal year.

General Fund Budget vs. Actual Variances - Total actual revenues exceeded budgeted revenues by $583,929 for the current fiscal year primarily due to actual sales tax receipts exceeding budgeted sales tax by $309,161, and grant revenue exceeding budgeted grant revenue by $205,424. Actual fines and forfeitures were 21% ($45,672) less than the budgeted amount due to the pandemic related decrease in writing citations. Other revenue line-item variances that were negative in nature, were not significant and/or were offset by other revenue line items that contained positive variances. In addition, total actual expenditures were less than total budgeted expenditures for the current fiscal year by $260,961 contributing to an excess of revenues over expenditures in the amount of $844,890. Lastly, a significant amount of actual transfers in (83%) is due to the 15% administrative fee assessed against the EDC sales tax to use for capital improvements to infrastructure during the current fiscal year.

CAPITAL ASSETS

The City of Gilmer's investment in capital assets for its governmental and business-type activities as of September 30, 2020 amounts to $29,574,496 (net of accumulated depreciation). This investment in capital assets includes land, infrastructure, buildings, improvements, machinery & equipment, and construction in progress.

Capital Assets at Year-end
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
Land	$ 1,727,528	$ 1,727,528	$ 4,997,314	$ 5,111,306	$ 6,724,842	$ 6,838,834
Infrastructure	5,637,864	5,283,984	8,729,537	8,510,711	14,367,401	13,794,695
Buildings	3,370,464	3,212,673	665,969	588,281	4,036,433	3,800,954
Improvements, other than buildings	-	-	3,236,920	3,128,318	3,236,920	3,128,318
Machinery & equipment	681,206	1,076,716	28,614	24,191	709,820	1,100,907
Construction in progress	-	4,500	363,409	906,288	363,409	910,788
Total	$ 11,417,062	$ 11,305,401	$ 18,021,763	$ 18,269,095	$ 29,438,825	$ 29,574,496

At the end of the current fiscal year, the City of Gilmer had total long-term debt of $11,436,640. Of this amount, $1,164,298 comprises bonded debt backed by the full faith and credit of the government, $41,480 represents the balance of a note payable backed by the full faith and credit of the government, while $5,590,000 represents bonds secured solely by water and sewer revenues and $1,125,702 represents Combination Tax and Revenue Certificates of Obligation which are secured by tax receipts as well as water and sewer revenue. The remainder amount of $3,050,000 does not constitute an obligation of the City of Gilmer but is reported herein as an obligation of its component unit, Gilmer Economic Development Corporation.

Outstanding Debt at Year End
Bonds and Notes Payable

	Governmental Activities		Business-Type Activities		Total	
	2019	2020	2019	2020	2019	2020
General Obligation Bonds	$1,316,826	$1,164,298	$ -	$ -	$ 1,316,826	$ 1,164,298
Revenue Bonds Payable	-	-	6,305,000	5,590,000	6,305,000	5,590,000
Notes	46,670	41,480			46,670	41,480
Tax & Revenue CO	-	-	1,273,174	1,125,702	1,273,174	1,125,702
Premium (discount) on issuance of debt	26,786	23,438	196,342	455,404	223,128	478,842
Sub-total	1,390,282	1,229,216	7,774,516	7,171,106	9,164,798	8,400,322
Sales Tax & Revenue Bonds	3,220,000	3,050,000	-	-	3,220,000	3,050,000
Premium (discount) on issuance of debt	(14,744)	(13,682)	-	-	(14,744)	(13,682)
Sub-total	3,205,256	3,036,318	-	-	3,205,256	3,036,318
Total	$4,595,538	$4,265,534	$7,774,516	$7,171,106	$12,370,054	$11,436,640

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2019-2020, budget and rates. Sales tax receipts had shown an increase in fiscal year 2019-2020 over the previous three years; however, the revenue was still budgeted conservatively. The city sales tax rate is 1.5%. Of that rate, .5% is allocated for economic development and the remainder for general government. In addition, 85% of the EDC sales tax is appropriated for debt service of Lake Gilmer with the remainder allocated for capital projects. The city collected taxes on beer and wine sales but the total for the year was not material. The property tax rate for 2020-2021 increased slightly to $.635102/$100 from the 2019-2020 rate of $.629523/$100. The 2020-2021 tax rate is considered to be the no-new-revenue tax rate.

REQUEST FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances. If you have questions about this report or need any additional information, contact the City's business office at City of Gilmer, 110 Buffalo, Gilmer, Texas, 75644.

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Basic Financial Statements

CITY OF GILMER, TEXAS

STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash and cash equivalents	$ 2,270,766	$ 2,136,307	$ 4,407,073
Restricted cash	--	133,680	133,680
Investments	1,627,656	917,750	2,545,406
Receivables:			
Taxes	313,479	--	313,479
Accounts	--	486,866	486,866
Notes	11,504	--	11,504
Other	326,937	7,115	334,052
Internal Balances	11,454	(11,454)	--
Prepaid expenses	4,529	35,269	39,798
Capital assets (net of accumulated depreciation)			
Land	1,727,528	5,111,306	6,838,834
Construction in progress	4,500	906,288	910,788
Infrastructure	5,283,984	11,639,029	16,923,013
Buildings and improvements	3,212,673	588,281	3,800,954
Furniture and equipment	1,076,716	24,191	1,100,907
Total Assets	15,871,726	21,974,628	37,846,354
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred outflows related to pensions	213,130	55,261	268,391
Deferred outflows related to OPEB	18,077	4,805	22,882
Loss on defeasance of debt	--	302,556	302,556
Total deferred outflows of resources	231,207	362,622	593,829
LIABILITIES:			
Accounts payable	162,158	133,013	295,171
Accrued wages	66,515	17,811	84,326
Other liabilities	31,461	--	31,461
Accrual for compensated absences	123,744	9,364	133,108
Accrued interest payable	33,791	59,445	93,236
Unearned revenue	4,500	1,200	5,700
Customer deposits, payable from restricted assets	--	133,680	133,680
Noncurrent liabilities:			
Due within one year	342,978	607,388	950,366
Due in more than one year	3,922,556	6,563,718	10,486,274
Net pension liability	1,027,113	269,028	1,296,141
Net OPEB liability	144,011	38,282	182,293
Total liabilities	5,858,827	7,832,929	13,691,756
DEFERRED INFLOWS OF RESOURCES:			
Deferred inflows related to pensions	341,661	93,581	435,242
Deferred inflows related to OPEB	12,713	3,380	16,093
Total deferred inflows of resources	354,374	96,961	451,335
NET POSITION:			
Net Investment in Capital Assets	7,039,867	11,400,545	18,440,412
Restricted For:			
Debt Service	1,642,197	89,166	1,731,363
Capital Projects	1,951	--	1,951
Other Purposes	292,377	--	292,377
Unrestricted	913,340	2,917,649	3,830,989
Total Net Position	$ 9,889,732	$ 14,407,360	$ 24,297,092

The accompanying notes are an integral part of this statement.

CITY OF GILMER, 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:				
Legislative	$ 28,839	$ --	$ --	$ --
Municipal Court	84,401	--	--	--
Executive/administration	230,866	--	5,612	--
Community development	158,916	32,221	--	--
Financial administration	169,325	--	4,310	--
Police	1,570,996	182,689	100,228	--
Fire protection	707,629	126,000	177,699	--
Highways and streets	445,483	--	597	--
Parks	64,220	--	--	--
Lake	6,085	--	--	--
Civic Center	266,937	18,024	--	--
Economic development	297,806	--	--	--
Non-departmental	245,373	14,400	--	--
Interest	171,882	--	--	--
Fiscal agent fees	2,900	--	--	--
Total Governmental Activities	4,451,658	373,334	288,446	--
Business-type Activities:				
Water & Sewer	2,041,456	2,118,301	--	--
Sanitation	727,774	813,089	--	--
Gilmer Airport	81,711	68,266	29,739	591,184
Total Business-type Activities	2,850,941	2,999,656	29,739	591,184
Total Primary Government	$ 7,302,599	$ 3,372,990	$ 318,185	$ 591,184

General Revenues:
- Property Taxes levied for general purposes
- Property Taxes levied for debt service
- Sales taxes
- Sales taxes for Economic Development
- Franchise Taxes
- Other Taxes
- Penalty and Interest
- Investment Earnings
- Miscellaneous
- Sale of assets

Transfers in (out)

Total General Revenues

Change in Net Position

Net Position - Beginning

Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (28,839)		$ (28,839)
(84,401)		(84,401)
(225,254)		(225,254)
(126,695)		(126,695)
(165,015)		(165,015)
(1,288,079)		(1,288,079)
(403,930)		(403,930)
(444,886)		(444,886)
(64,220)		(64,220)
(6,085)		(6,085)
(248,913)		(248,913)
(297,806)		(297,806)
(230,973)		(230,973)
(171,882)		(171,882)
(2,900)		(2,900)
(3,789,878)		(3,789,878)
--	$ 76,845	76,845
--	85,315	85,315
--	607,478	607,478
--	769,638	769,638
(3,789,878)	769,638	(3,020,240)
1,425,331	--	1,425,331
594,290	--	594,290
1,404,959	--	1,404,959
700,083	--	700,083
392,935	--	392,935
54,022	--	54,022
18,233	--	18,233
32,299	18,558	50,857
78,456	14,204	92,660
(10,942)	24,926	13,984
(421,192)	421,192	--
4,268,474	478,880	4,747,354
478,596	1,248,518	1,727,114
9,411,136	13,158,842	22,569,978
$ 9,889,732	$ 14,407,360	$ 24,297,092

CITY OF GILMER, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Economic Development Fund
ASSETS AND OTHER DEBITS:		
Cash	$ 1,282,874	$ 803,656
Investments	849,926	777,730
Receivables:		
Taxes	313,479	--
Due from other funds	19,233	51,858
Notes receivable	--	--
Other receivable	243,997	--
Prepaid expenditures	3,977	--
TOTAL ASSETS	$ 2,713,486	$ 1,633,244
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE:		
LIABILITIES:		
Accounts payable	$ 156,667	$ --
Due to other funds	53,845	7,779
Unearned revenue	4,500	--
Other liabilities	19,311	--
Accrued wages	66,515	--
Accrual for compensated absences	5,860	--
TOTAL LIABILITIES	306,698	7,779
DEFERRED INFLOWS OF RESOURCES:		
Deferred property tax revenue	154,156	--
TOTAL DEFERRED INFLOWS OF RESOURCES	154,156	--
FUND BALANCE:		
Nonspendable	3,977	--
Restricted for debt service	--	1,625,465
Restricted for construction	1,951	--
Restricted for other purposes	148,155	--
Committed for street maintenance	57,406	--
Assigned	75,413	--
Unassigned	1,965,730	--
TOTAL FUND BALANCE	2,252,632	1,625,465
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 2,713,486	$ 1,633,244

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 50,523	$ 133,713	$ 2,270,766
--	--	1,627,656
--	--	313,479
--	1,986	73,077
--	11,504	11,504
--	2,566	246,563
--	552	4,529
$ 50,523	$ 150,321	$ 4,547,574
$ --	$ 5,491	$ 162,158
--	--	61,624
--	--	4,500
--	12,150	31,461
--	--	66,515
--	327	6,187
--	17,968	332,445
--	--	154,156
--	--	154,156
--	552	4,529
50,523	--	1,675,988
--	--	1,951
--	140,245	288,400
--	--	57,406
--	--	75,413
--	(8,444)	1,957,286
50,523	132,353	4,060,973
$ 50,523	$ 150,321	$ 4,547,574

CITY OF GILMER, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total fund balances - governmental funds balance sheet	$	4,060,973
Amounts reported for governmental activities in the Statement of Net Position ("SNP") are different because:		
Capital assets used in governmental activities are not reported in the funds.		11,305,401
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		154,156
Payables for bond principal which are not due in the current period are not reported in the funds.		(4,214,297)
Payables for bond interest which are not due in the current period are not reported in the funds.		(33,791)
Payables for notes which are not due in the current period are not reported in the funds.		(41,480)
Payables for compensated absences which are not due in the current period are not reported in the funds.		(117,557)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.		80,374
Unamortized discounts on issuance of bonds are not reported in the funds.		13,682
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.		(1,027,113)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(341,661)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		213,130
Bond premiums are amortized in the SNA but not in the funds.		(23,438)
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.		(144,011)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.		(12,713)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.		18,077
Net position of governmental activities - Statement of Net Position	$	9,889,732

The accompanying notes are an integral part of this statement.

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CITY OF GILMER, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Economic Development Fund
REVENUES:		
Property taxes	$ 1,441,470	$ --
Penalty and interest	18,233	--
Sales tax	1,404,959	700,083
Franchise fees	392,935	--
Other taxes	54,022	--
Fines and forfeitures	176,228	--
Licenses and permits	32,221	--
Intergovernmental revenue and grants	126,000	--
Investment income	18,407	12,668
Rents and royalties	17,025	--
Grant revenue	288,446	--
Other revenue	80,659	--
TOTAL REVENUES	4,050,605	712,751
EXPENDITURES:		
Current:		
Legislative	28,839	--
Municipal court	83,031	--
Executive/administration	224,736	--
Community development	150,281	--
Financial administration	177,685	--
Police	1,570,565	--
Fire protection	1,130,739	--
Highways and streets	323,446	--
Parks	61,680	--
Lake	46,415	--
Civic center	--	--
Non-departmental	236,235	--
Principal on long-term debt	--	170,000
Interest on long-term debt	--	153,963
Debt service fees	--	1,250
TOTAL EXPENDITURES	4,033,652	325,213
Excess (Deficiency) of Revenues Over (Under) Expenditures	16,953	387,538
OTHER FINANCING SOURCES (USES):		
Transfers in	126,691	--
Transfers out	(146,969)	(105,012)
TOTAL OTHER FINANCING SOURCES (USES)	(20,278)	(105,012)
NET CHANGE IN FUND BALANCES	(3,325)	282,526
FUND BALANCE - BEGINNING	2,255,957	1,342,939
FUND BALANCE - ENDING	$ 2,252,632	$ 1,625,465

The accompanying notes are an integral part of this statement.

Debt Service Fund	Other Governmental Funds	Total Governmental Funds
$ 594,290	$ --	$ 2,035,760
--	--	18,233
--	--	2,105,042
--	--	392,935
--	--	54,022
--	1,584	177,812
--	--	32,221
--	--	126,000
392	832	32,299
--	18,024	35,049
--	--	288,446
--	9,010	89,669
594,682	29,450	5,387,488
--	--	28,839
--	--	83,031
--	--	224,736
--	--	150,281
--	--	177,685
--	1,555	1,572,120
--	--	1,130,739
--	--	323,446
--	--	61,680
--	--	46,415
--	137,564	137,564
--	--	236,235
152,528	5,190	327,718
26,942	1,444	182,349
1,650	--	2,900
181,120	145,753	4,685,738
413,562	(116,303)	701,750
26,942	108,270	261,903
(428,790)	(2,324)	(683,095)
(401,848)	105,946	(421,192)
11,714	(10,357)	280,558
38,809	142,710	3,780,415
$ 50,523	$ 132,353	$ 4,060,973

CITY OF GILMER, 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

Net change in fund balances - total governmental funds	$ 280,558
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	754,336
The depreciation of capital assets used in governmental activities is not reported in the funds.	(841,217)
The gain or loss on the sale of capital assets is not reported in the funds.	(10,942)
All proceeds from the sale of capital assets are reported in the funds but not in the SOA.	(13,838)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(16,139)
Repayment of bond principal is an expenditure in the funds but is not an expense in the SOA.	322,528
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	5,190
(Increase) decrease in accrued interest from beginning of period to end of period.	8,181
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(9,894)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	4,877
Bond premiums are reported in the funds but not in the SOA.	3,348
Bond discounts are reported in the funds but not in the SOA.	(1,062)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	180,476
The City's share of the unrecognized deferred inflows and outflows for the pension plan was amortized.	16,376
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	(196,219)
OPEB contributions made after the measurement date but in current FY were de-expended & reduced NPL.	660
The City's share of the unrecognized deferred inflows and outflows for the OPEB plan was amortized.	(1,018)
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	(7,606)
Rounding	1
Change in net position of governmental activities - Statement of Activities	$ 478,596

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

EXHIBIT A-7

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Property taxes	$ 1,430,931	$ 1,430,931	$ 1,441,470	$ 10,539
Penalty and interest	18,000	18,000	18,233	233
Sales tax	1,095,798	1,095,798	1,404,959	309,161
Franchise fees	318,000	318,000	392,935	74,935
Other taxes	57,000	57,000	54,022	(2,978)
Fines and forfeitures	221,900	221,900	176,228	(45,672)
Licenses and permits	29,200	29,200	32,221	3,021
Intergovernmental revenue and grants	126,000	126,000	126,000	--
Investment income	23,010	23,010	18,407	(4,603)
Rents and royalties	20,100	20,100	17,025	(3,075)
Grant revenue	12,076	83,022	288,446	205,424
Other revenue	14,850	43,715	80,659	36,944
TOTAL REVENUES	3,366,865	3,466,676	4,050,605	583,929
EXPENDITURES:				
Current:				
Legislative	37,582	37,582	28,839	8,743
Municipal court	79,543	84,007	83,031	976
Executive/administration	237,624	237,763	224,736	13,027
Community development	153,719	153,894	150,281	3,613
Financial administration	185,346	194,695	177,685	17,010
Police	1,527,967	1,660,238	1,570,565	89,673
Fire protection	655,289	1,156,672	1,130,739	25,933
Highways and streets	216,873	362,756	323,446	39,310
Parks	57,037	59,212	61,680	(2,468)
Lake	6,200	49,800	46,415	3,385
Non-departmental	817,573	297,994	236,235	61,759
TOTAL EXPENDITURES	3,974,753	4,294,613	4,033,652	260,961
Excess (Deficiency) of Revenues Over (Under) Expenditures	(607,888)	(827,937)	16,953	844,890
OTHER FINANCING SOURCES (USES):				
Transfers in	452,753	416,378	126,691	(289,687)
Transfers out	(36,000)	(36,000)	(146,969)	(110,969)
TOTAL OTHER FINANCING SOURCES (USES)	416,753	380,378	(20,278)	400,656
NET CHANGE IN FUND BALANCES	(191,135)	(447,559)	(3,325)	444,234
FUND BALANCE - BEGINNING	2,255,957	2,255,957	2,255,957	--
FUND BALANCE - ENDING	$ 2,064,822	$ 1,808,398	$ 2,252,632	$ 444,234

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

EXHIBIT A-8

ECONOMIC DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET (GAAP BASIS) AND ACTUAL
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES:				
Sales tax	$ 545,718	$ 545,718	$ 700,083	$ 154,365
Investment income	8,060	8,060	12,668	4,608
TOTAL REVENUES	553,778	553,778	712,751	158,973
EXPENDITURES:				
Current:				
Principal on long-term debt	170,000	170,000	170,000	--
Interest on long-term debt	155,026	155,026	153,963	1,063
Debt service fees	750	750	1,250	(500)
TOTAL EXPENDITURES	325,776	325,776	325,213	563
Excess (Deficiency) of Revenues Over (Under) Expenditures	228,002	228,002	387,538	159,536
OTHER FINANCING SOURCES (USES):				
Transfers out	(81,858)	(81,858)	(105,012)	(23,154)
TOTAL OTHER FINANCING SOURCES (USES)	(81,858)	(81,858)	(105,012)	23,154
NET CHANGE IN FUND BALANCES	146,144	146,144	282,526	136,382
FUND BALANCE - BEGINNING	1,342,939	1,342,939	1,342,939	--
FUND BALANCE - ENDING	$ 1,489,083	$ 1,489,083	$ 1,625,465	$ 136,382

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

	Water & Sewer Fund	Sanitation Fund	Gilmer Airport Fund	Total Proprietary Funds
ASSETS:				
Current assets:				
Cash and cash equivalents	$ 1,603,167	$ 384,607	$ 148,533	$ 2,136,307
Restricted cash	133,430	--	250	133,680
Investments	917,750	--	--	917,750
Receivables (net of allowances for uncollectibles)	343,994	142,872	--	486,866
Other receivables	--	--	7,115	7,115
Prepaid expenses	3,371	--	31,898	35,269
Total current assets	3,001,712	527,479	187,796	3,716,987
Noncurrent assets:				
Capital assets:				
Land	4,266,667	230,484	614,155	5,111,306
Construction in progress	40,770	--	865,518	906,288
Land improvements	3,558,647	--	1,582,480	5,141,127
Infrastructure	15,462,868	--	--	15,462,868
Buildings	129,125	--	815,817	944,942
Equipment and furniture	726,768	--	151,080	877,848
Less accumulated depreciation	(9,346,628)	--	(828,656)	(10,175,284)
Total noncurrent assets	14,838,217	230,484	3,200,394	18,269,095
TOTAL ASSETS	17,839,929	757,963	3,388,190	21,986,082
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred outflows related to pensions	55,261	--	--	55,261
Deferred outlows related to OBEP	4,805	--	--	4,805
Loss on defeasance of debt	302,556	--	--	302,556
TOTAL OUTFLOWS OF RESOURCES	362,622	--	--	362,622
LIABILITIES:				
Current liabilities:				
Accounts payable	46,780	61,460	24,773	133,013
Wages payable	17,811	--	--	17,811
Accrual for compensated absences	9,364	--	--	9,364
Accrued interest payable	59,445	--	--	59,445
Unearned revenue	1,200	--	--	1,200
Due to other funds	--	11,454	--	11,454
Bonds, notes, and loans payable	607,388	--	--	607,388
Payable from restricted assets:				
Customer deposits	133,430	--	250	133,680
Total current liabilities	875,418	72,914	25,023	973,355
Noncurrent liabilities:				
Bonds, notes, and loans payable	6,563,718	--	--	6,563,718
Net OPEB liability	38,282	--	--	38,282
Net pension liability	269,028	--	--	269,028
Total noncurrent liabilities	6,871,028	--	--	6,871,028
TOTAL LIABILITIES	7,746,446	72,914	25,023	7,844,383
DEFERRED INFLOWS OF RESOURCES:				
Deferred inflows related to OPEB	3,380	--	--	3,380
Deferred inflows related to pensions	93,581	--	--	93,581
TOTAL DEFERRED INFLOWS OF RESOURCES	96,961	--	--	96,961
NET POSITION:				
Net investment in capital assets	7,969,667	230,484	3,200,394	11,400,545
Restricted for debt service	89,166	--	--	89,166
Unrestricted	2,300,311	454,565	162,773	2,917,649
TOTAL NET POSITION	$ 10,359,144	$ 685,049	$ 3,363,167	$ 14,407,360

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS

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

	Water & Sewer Fund	Sanitation Fund	Gilmer Airport Fund	Total Proprietary Funds
OPERATING REVENUES:				
Charges for water services	$ 1,321,172	$ --	$ --	$ 1,321,172
Charges for sewer services	769,533	--	--	769,533
Charges for sanitation services	--	805,250	--	805,250
Penalties	21,596	7,839	--	29,435
Rents and royalties	--	--	68,266	68,266
Licenses and permits	6,000	--	--	6,000
Other revenue	6,640	2	7,562	14,204
Total Operating Revenues	2,124,941	813,091	75,828	3,013,860
OPERATING EXPENSES:				
Salaries and employee benefits	708,083	--	--	708,083
Contractual services	110,505	727,774	8,060	846,339
Utilities	136,443	--	8,816	145,259
Repairs and maintenance	174,522	--	7,708	182,230
Supplies and other expenses	55,797	--	4,048	59,845
Insurance	31,706	--	3,317	35,023
Depreciation	480,072	--	49,762	529,834
Total Operating Expenses	1,697,128	727,774	81,711	2,506,613
Operating Income (Loss)	427,813	85,317	(5,883)	507,247
NON-OPERATING REVENUES (EXPENSES):				
Interest and investment revenue	18,133	256	169	18,558
Operating grants	--	--	29,739	29,739
Gain on disposition of assets	24,926	--	--	24,926
Interest expense	(242,171)	--	--	(242,171)
Debt issuance costs and fees	(102,157)	--	--	(102,157)
Total Non-operating Revenues (Expenses)	(301,269)	256	29,908	(271,105)
Income before Transfers	126,544	85,573	24,025	236,142
Capital contributions	--	--	591,184	591,184
Transfers in	467,488	--	--	467,488
Transfers out	(46,296)	--	--	(46,296)
Change in Net Position	547,736	85,573	615,209	1,248,518
Total Net Position - Beginning	9,811,408	599,476	2,747,958	13,158,842
Total Net Position - Ending	$ 10,359,144	$ 685,049	$ 3,363,167	$ 14,407,360

The accompanying notes are an integral part of this statement.

CITY OF GILMER, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water & Sewer Fund	Sanitation Fund	Gilmer Airport Fund	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 2,122,580	$ 818,617	$ 79,279	$ 3,020,476
Cash Payments to Employees for Services	(680,876)	--	--	(680,876)
Cash Payments to Other Suppliers for Goods and Services	(497,078)	(733,509)	43,293	(1,187,294)
Net Cash Provided (Used) by Operating Activities	944,626	85,108	122,572	1,152,306
Cash Flows from Non-capital Financing Activities:				
Operating Grants Received	--	--	29,739	29,739
Transfers From (To) Other Funds	248,040	--	--	248,040
Net Cash Provided (Used) by Non-capital Financing Activities	248,040	--	29,739	277,779
Cash Flows from Capital and Related Financing Activities:				
Principal and Interest Paid	(722,956)	--	--	(722,956)
Proceeds from Refunding Bond Issue, Net of Issuance Costs	3,366,639	--	--	3,366,639
Payment to Escrow Agent for Refunded Bond Issue	(3,361,027)	--	--	(3,361,027)
Debt Issuance Costs and Fees	(1,500)	--	--	(1,500)
Aquisition or Construction of Capital Assets	(97,145)	--	(110,545)	(207,690)
Proceeds from Sale of Assets	46,636	--	--	46,636
Net Cash Provided (Used) for Capital & Related Financing Activities	(769,353)	--	(110,545)	(879,898)
Cash Flows from Investing Activities:				
Interest and Dividends on Investments	7,188	256	169	7,613
Net Cash Provided (Used) for Investing Activities	7,188	256	169	7,613
Net Increase (Decrease) in Cash and Cash Equivalents	430,501	85,364	41,935	557,800
Cash and Cash Equivalents, October 1 (excluding $126,907 for the water & sewer fund and $250 for the airport fund reported as restricted amounts)	1,172,666	299,243	106,598	1,578,507
Cash and Cash Equivalents, September 30 (excluding $133,430 for the water & sewer fund and $250 for the airport fund reported as restricted amounts)	$ 1,603,167	$ 384,607	$ 148,533	$ 2,136,307
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ 427,813	$ 85,317	$ (5,883)	$ 507,247
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities				
Depreciation	480,072	--	49,762	529,834
Change in Assets and Liabilities:				
Decrease (Increase) in Receivables	(2,360)	(5,929)	3,450	(4,839)
Decrease (Increase) in Prepaid Expenses	(3,371)	--	51,395	48,024
Increase (Decrease) in Accounts Payable	15,264	(5,734)	23,848	33,378
Increase (Decrease) in Due to Other Funds	--	11,454	--	11,454
Increase (Decrease) in Accrued Wages Payable	1,141	--	--	1,141
Increase (Decrease) in Pension and OPEB Liabilities	26,067	--	--	26,067
Total Adjustments	516,813	(209)	128,455	645,059
Net Cash Provided (Used) by Operating Activities	$ 944,626	$ 85,108	$ 122,572	$ 1,152,306
Schedule of Non-Cash Capital and Related Financing Activities				
Contributions of capital assets	$ --	$ --	$ 591,184	$ 591,184
Repayment of prinicipal by other fund	147,472	--	--	147,472
Repayment of interest by other fund	25,680	--	--	25,680

The accompanying notes are an integral part of this statement.

A. Summary of Significant Accounting Policies

The combined financial statements of City of Gilmer, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in Section 2100 of GASB's "Codification of Governmental Accounting and Financial Reporting Standards", include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. The GASB Codification requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the following is a brief review of the component unit addressed in defining the government's reporting entity. Additionally, the City is not a component of any other reporting entity as defined by the GASB Codification.

Gilmer Economic Development Corporation is a nonprofit organization organized in accordance with the Texas Development Corporation Act of 1979. It is a Type A Economic Development Corporation governed by the Texas Local Government Code Chapters 501 and 504, and it is operated exclusively for the purpose of benefitting and accomplishing public purposes of the City of Gilmer. The City Council appoints the governing board of the EDC. The EDC is funded by a one-half cent sales tax which is received by the City from the State and is passed to the corporation. All sales tax revenues produced by the EDC are pledged to debt service on Sales Tax and Revenue Bonds. There are no separate financial statements issued. The Corporation's financial statements are blended with the City of Gilmer's Basic Financial Statements as a special revenue fund.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. 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.

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 operations. The principal operating revenues of the proprietary fund are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting those definitions are reported as nonoperating revenues and expenses.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

The Economic Development Fund is a special revenue fund that accounts for the one-half cent sales tax collected for the Economic Development Corporation, a component unit.

The Debt Service Fund accounts for resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The City reports the following major proprietary funds:

The Water and Sewer Fund is used to account for the sale of water and wastewater treatment by the City to businesses and residential customers and to surrounding communities.

The Sanitation Fund accounts for residential and commercial solid waste collections and disposal services for the City.

The Airport Fund accounts for the operation of the Gilmer-Upshur County Airport.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes and sales taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. 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. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available when they become due or past due and receivable within the current period.

The City may assess penalties and interest. The assessment ratio of the City is 100% of market value. The assessed value for the tax roll of October 1, 2019, upon which the 2020 fiscal-year levy was based, was $322,035,431. The tax assessment of October 1, 2019 sets a tax levy at $.629523 per $100 of assessed valuation at 100% of assumed market value. The 2020 fiscal-year levy was $2,027,287.

Taxes were due in January following the October 1 statement date. Tax collections during the fiscal year ended September 30, 2020, for the fiscal 2019 tax levy were 96.72% of the total tax levy for that year.

Allowances for uncollectible tax receivables are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. The allowance for uncollectible taxes at September 30, 2020, is $176,800.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture, and equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their net acquisition value on the date received. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend lives are not capitalized.

Assets capitalized have an original cost of $5,000 or more and an estimated life in excess of one year. Depreciation has been computed on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset Class	Estimated Useful Lives
Infrastructure	25 - 50
Buildings	10 - 60
Land Improvements	60 - 100
Machinery and equipment	5 - 12
Heavy equipment	10 - 20
Vehicles	4 - 7
Computer equipment	3 - 5

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or 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.

The fiduciary net position of the Texas Emergency Services Retirement System (TESRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes, for purposes of measuring the net position liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities, and additions to/deductions from TESRS's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

g. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the City's total OPEB Liability for the Texas Municipal Retirement System's Supplemental Death Benefits Fund has been determined based on the provisions of GASB Statement No. 75.

h. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary fund Statement of Net Position and governmental funds balance sheet) will sometimes report a separate section of deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilites, the statements 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 one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

i. Compensated Absences

Accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay for it. Accumulated vacation leave of proprietary funds is recorded as an expense and a liability of those funds as the benefits accrue to employees. No liability is recorded for nonvesting accumulating rights to receive sick pay benefits.

j. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

k. Estimates

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

l. Restricted Assets

Cash held for customer deposits in the Water and Sewer Fund and the Airport Fund is reported as restricted.

m. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council**.** Commitments are typically accomplished by a formal action or resolution by the City Council. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose**.** Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

It is the goal of the City to achieve and maintain an unassigned fund balance in the general fund equivalent to not less than 2 months of annual operating expdenditures. The City's fund balance for the general fund met this goal at September 30, 2020.

It is the goal of the City to achieve and maintain an unassigned fund balance (reserve) in the water and sewer fund equivalent to no less than $500,000. The City's fund balance in the fund met this goal at September 30, 2020.

n. Net Position Flow Assumption

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

o. Fund Balance Flow Assumption

Sometimes the City 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 City'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.

4. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

Budgets for the general fund, special revenue funds, and debt service funds are adopted on a basis consistent with the modified accrual basis of accounting. Unexpended budget appropriations lapse at year end and do not carry forward to future periods.

Budget controls are imposed at the department level and require Council approval for amendment.

5. Implementation of New Standards

In the current fiscal year, the City implemented the following new standard from the Governmental Accounting Standards Board (GASB). The applicable provisions of the new standard are summarized below. Implementation is reflected in the notes to the financial statements.

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt.

This statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This statement requires that additional essential information related to debt be disclosed in the notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

6. Future Implementation of New Standards

In order to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic, GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* is currently in effect to postpone the effective dates of certain provisions in Statements that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

The effective dates for the following pronouncements are postponed by one year:

Statement No. 84, *Fiduciary Activities*

Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Statement No. 90, *Majority Equity Interests*

Statement No. 91, *Conduit Debt Obligations*

Statement No. 92, *Omnibus 2020*

Statement No. 93, *Replacement of Interbank Offered Rates*

The effective date for the following pronouncement is postponed by 18 months:

Statement No. 87, *Leases*

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None reported	Not applicable

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount	Remarks
Civic Center Fund	$ (7,892)	The pandemic of 2020 reduced Civic Center revenues significantly. Bookings were cancelled and refunded in many cases.

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $4,540,753 and the bank balance was $4.546,465. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

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

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

Investment or Investment Type	Maturity	Fair Value
Certificate of Deposit #44413	7/16/2022	$ 97,890
Certificate of Deposit #44412	7/19/2022	530,500
Certificate of Deposit #42535	12/19/2021	221,403
Certificate of Deposit #42780	6/20/2022	270,706
Certificate of Deposit #22185	2/20/2022	261,766
Certificate of Deposit #42463	9/30/2022	385,279
Certificate of Deposit #43696	7/31/2023	210,193
Certificate of Deposit #22648	5/18/2022	250,000
Certificate of Deposit #23075	8/9/2023	210,020
Certificate of Deposit #42747	5/19/2022	107,517
Logic Investment Pool	52-81 days	132
Total Investments		$ 2,545,406

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2020, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, are rated as to credit quality as follows:

Investment	S & P Rating
Local Government Investment Cooperative (LOGIC)	AAAm

b. Custodial Credit Risk

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

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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

Public Funds Investment Pools
Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous

rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Local Government Investment Cooperative (LOGIC)

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. The pool was created in April, 1994, through a contract among its participating governmental units, and is governed by a board of directors (the board) to provide for joint investments of participant's public funds and funds under their control. LOGIC's policy seeks to invest pooled assets in a manner that will provide for safety of principal, liquidity in accordance with the operating requirements of the Participants, and a competitive rate of return by utilizing economies of scale and professional investment expertise. FirstSouthwest, A Division of Hilltop, provides administrative, participant support, and marketing services. Hilltop Securities Inc. is a registered broker dealer, member of FINRA/SIPC, which provides financial advisory and investment banking services to governmental entities across the country. JPMorgan Chase Bank N.A. provides custodial services. LOGIC is rated AAAm by Standard & Poor's and is operating in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. LOGIC seeks to maintain a stable net asset value of one dollar per unit.

D. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 1,727,528	$ --	$ --	$ 1,727,528
Construction in progress	--	4,500	--	4,500
Total capital assets not being depreciated	1,727,528	4,500	--	1,732,028
Capital assets being depreciated:				
Infrastructure	10,714,870	181,794	11,000	10,885,664
Buildings and improvements	5,169,892	--	--	5,169,892
Machinery, furniture and equipment	2,696,186	568,042	133,118	3,131,110
Total capital assets being depreciated	18,580,948	749,836	144,118	19,186,666
Less accumulated depreciation for:				
Infrastructure	(5,077,006)	(530,614)	(5,940)	(5,601,680)
Buildings and improvements	(1,799,428)	(157,791)	--	(1,957,219)
Machinery, furniture and equipment	(2,014,980)	(152,812)	(113,398)	(2,054,394)
Total accumulated depreciation	(8,891,414)	(841,217)	(119,338)	(9,613,293)
Total capital assets being depreciated, net	9,689,534	(91,381)	24,780	9,573,373
Governmental activities capital assets, net	$ 11,417,062	$ (86,881)	$ 24,780	$ 11,305,401

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 5,111,306	$ --	$ --	$ 5,111,306
Construction in progress	249,417	656,871	--	906,288
Total capital assets not being depreciated	5,360,723	656,871	--	6,017,594
Capital assets being depreciated:				
Land improvements	5,111,891	29,235	--	5,141,126
Infrastructure	15,426,489	97,146	60,766	15,462,869
Buildings and improvements	944,942	--	--	944,942
Machinery, furniture and equipment	862,226	15,624	--	877,850
Total capital assets being depreciated	22,345,548	142,005	60,766	22,426,787
Less accumulated depreciation for:				
Land improvements	(1,874,971)	(137,837)	--	(2,012,808)
Infrastructure	(6,696,952)	(272,552)	(17,346)	(6,952,158)
Buildings and improvements	(278,973)	(77,688)	--	(356,661)
Machinery, furniture and equipment	(833,612)	(41,757)	(21,710)	(853,659)
Total accumulated depreciation	(9,684,508)	(529,834)	(39,056)	(10,175,286)
Total capital assets being depreciated, net	12,661,040	(387,829)	21,710	12,251,501
Business-type activities capital assets, net	$ 18,021,763	$ 269,042	$ 21,710	$ 18,269,095

The beginning balances for business-type activities land and construction in progress have been adjusted to reflect a reclassification of airport land that was purchased and originally placed into construction in progress.

Depreciation was charged to functions as follows:

Governmental Activities:		
Civic center	$	128,132
Community development		7,037
Economic development		297,806
Executive		2,814
Fire		68,244
Non-departmental		9,138
Parks		2,190
Police		56,131
Streets		264,429
Financial administration		2,026
Lake		3,270
	$	841,217

Business-Type Activities:		
Water and sewer		480,072
Airport		49,762
	$	529,834

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2020, consisted of the following:

Due To Fund	Due From Fund		Amount	Purpose
Economic Development Fund	General Fund	$	51,858	Monthly sales tax transfer
Other Governmental Funds	General Fund		1,986	Hotel tax transfer receivable
General Fund	Economic Development Fund		7,779	Monthly administrative fee
General Fund	Sanitation Fund		11,454	Commercial sanitation fees accrued
	Total	$	73,077	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds for the year ended September 30, 2020, consisted of the following:

Transfers From	Transfers To		Amount	Reason
Debt Service	Water & Sewer Fund	$	428,790	Fund debt service requirements
Economic Development Fund	General Fund		105,012	Administrative fee
Other Governmental Funds	General Fund		2,324	Purchase tasers
General Fund	Other Governmental Funds		108,270	Fund Civic Center operations
Water & Sewer Fund	Debt Service Fund		26,941	Interest expense on debt
Water & Sewer Fund	General Fund		19,355	Budgeted transfer
General Fund	Water & Sewer Fund		38,699	Contribution to spillway project
	Total	$	729,391	

F. Long-Term Obligations

The City has entered into a continuing disclosure undertaking to provide Annual Reports and Material Event Notices to the State Information Depository of Texas, which is the Municipal Advisory Council. This information is required under SEC Rule 15c2-12 to enable investors to analyze the financial condition and operations of the City.

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Obligations of the City:					
Tax and revenue certificates of obligation	$ 1,316,826	$ --	$ 152,528	$ 1,164,298	157,611
Notes	46,670	--	5,190	41,480	5,367
Net pension liability*	1,604,795	--	577,682	1,027,113	--
Total OPEB liability*	121,030	22,981	--	144,011	--
Premium on issuance of debt	26,786	--	3,348	23,438	--
Compensated absences	113,330	11,824	1,410	123,744	6,187
Total obligations of the City	3,229,437	34,805	740,158	2,524,084	169,165
Obligations of Economic Development Corp:					
Sales tax revenue bonds	3,220,000	--	170,000	3,050,000	180,000
Discount on issuance of debt	(14,744)	--	(1,062)	(13,682)	--
Total obligations of EDC	3,205,256	--	168,938	3,036,318	180,000
Total governmental activities	$ 6,434,693	$ 34,805	$ 909,096	$ 5,560,402	$ 349,165
Business-type activities:					
Refunding bonds	$ 6,305,000	$ 3,140,000	$ 3,855,000	$ 5,590,000	455,000
Tax and revenue certificates of obligation	1,273,174	--	147,472	1,125,702	152,388
Net pension liability**	396,645	--	127,617	269,028	--
Total OPEB liability**	30,257	8,025	--	38,282	--
Premium on issuance of debt	196,342	323,233	64,171	455,404	--
Total business-type activities	$ 8,201,418	$ 3,471,258	$ 4,194,260	$ 7,478,416	$ 607,388

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability*	Governmental	General
Total OPEB Liability*	Governmental	General
Net Pension Liability**	Business	Water and Sewer
Total OPEB Liability**	Business	Water and Sewer

The General Fund typically liquidates 100% of the Governmental Activities liability for compensated absences.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

	Governmental Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2021	$ 337,611	$ 170,629	$ 5,367	$ 1,265	$ 514,872
2022	345,155	159,827	5,543	1,092	511,617
2023	352,698	148,761	5,725	909	508,093
2024	367,781	136,957	5,913	720	511,371
2025	380,323	124,601	6,108	525	511,557
2026-2030	1,555,730	416,859	12,824	442	1,985,855
2031-2033	875,000	88,750	--		963,750
Totals	$ 4,214,298	$ 1,246,384	$ 41,480	$ 4,953	$ 5,507,115

	Business-type Activities				
	Bonds		Notes from Direct Borrowings and Direct Placements		
Year Ending September 30,	Principal	Interest	Principal	Interest	Total
2021	$ 607,388	$ 199,572	$ --	$ --	$ 806,960
2022	629,845	172,801	--	--	802,646
2023	647,303	157,304	--	--	804,607
2024	672,219	137,908	--	--	810,127
2025	694,677	117,714	--	--	812,391
2026-2030	2,264,270	310,731	--	--	2,575,001
2031-2034	1,200,000	69,650	--		1,269,650
Totals	$ 6,715,702	$ 1,165,680	$ --	$ --	$ 7,881,382

The following is a list of General Obligation Bonds, Revenue Bonds and Notes Payable at September 30, 2020:

Governmental Activities:

Certificates of Obligation 2015 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 26, 2027.	$ 1,164,298
Notes Payable Note payable to Gilmer National Bank; principal plus interest at 3.25%, due monthly through September 5, 2027.	41,480
Sales Tax and Revenue Bonds (an obligation of Gilmer Economic Development Corporation, a blended component unit of the City of Gilmer) 2011 Sales Tax and Revenue Bonds; principal plus interest varying from 4.0% to 5.0% due semi-annually through July 15, 2033.	3,050,000
Total Governmental Activities	$ 4,255,778

Business-Type Activities:

Refunding Bonds 2020 General Obligation Refunding Bonds; principal plus interest varying from 2.0% to 4.00% due semi-annually through July 1, 2034.	$ 3,140,000

2013 General Obligation Refunding Bonds Series 2013; principal plus interest varying from 2.0% to 3.0% due semi-annually through May 15, 2027.		2,450,000
Total Refunding Bonds		5,590,000
Tax and Revenue Certificates of Obligation		
2015 Combination Tax and Revenue Certificates of Obligation; principal plus interest varying from 2.0% to 3.0% due semi-annually through August 15, 2027.		1,125,702
Total Certificates of Obligation		1,125,702
Total Business-Type Activities	$	6,715,702

3. Advance Refunding of Debt

On July 16, 2020, the City issued $3,140,000 in general obligation refunding bonds with interest rates ranging from 2.00% to 4.00%. The City issued the bonds to advance refund the outstanding Series 2010 Waterworks & Sewer System refunding bonds with interest rates ranging from 3.00% to 4.25%. The City used the net proceeds to purchase U.S. government securities. These securities were deposited into an irrevocable trust to provide for all future debt service on the 2010 bonds. As a result, the 2010 series bonds are considered defeased, and the City has removed the liability from its accounts. The advanced refunding reduced total debt service payments over the next 14 years by $3,916,523. This results in an economic gain (difference between the present value of the new debt service payments on the old and new debt) of $538,880.

The reacquisition price exceeded the net carrying value of the old debt by $91,832. This amount is being netted against the new debt and amortized over the remaining life of the new debt.

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2020, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

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 payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's 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:

Employee deposit rate	6.00%
Matching ratio (city to employee)	2:1
Updated service credit rate	100T
Annuity increase	70.00%
Vesting requirements	5 years
Service retirement eligibilities (express as age/years of service)	60/5; 0/20

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	41
Inactive employees entitled to but not yet receiving benefits	29
Active employees	50
Total covered employees	120

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 were required to contribute 6.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 13.73% and 13.34% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were $300,042, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liaility 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	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
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 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 healthy annuitants and Annuity Purchase Rate (APRs) are 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 ot 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 below:

Asset Class	Target Allocation
Global Equities	30%
Core Fixed Income	10%
Non-Core Fixed Income	20%
Real Estate	10%
Real Return	10%
Absolute Return	10%
Private Equity	10%
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.

Changes in Net Pension Liability	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	$ 10,181,627	$ 8,208,983	$ 1,972,644
Changes for the year			
Service cost	322,212	--	322,212
Interest	682,742	--	682,742
Change of benefit terms	--	--	--
Difference between expected and actual experience	(79,307)	--	(79,307)
Changes of assumptions	46,124	--	46,124
Contributions - employer	--	299,741	(299,741)
Contributions - employee	--	131,694	(131,694)
Net investment income	--	1,269,294	(1,269,294)
Benefit payments, including refunds of employee contributions	(456,067)	(456,067)	--
Administrative expense	--	(7,171)	7,171
Other changes	--	(215)	215
Net changes	515,704	1,237,276	(721,572)
Balance at 12/31/2019	$ 10,697,331	$ 9,446,259	$ 1,251,072

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 2,778,836	$ 1,251,072	$ 6,980

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

For the year ended September 30, 2020, the City recognized pension expense of $304,118.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ --	$ --
Changes in actuarial assumptions	34,206	--
Difference between projected and actual investment earnings	--	435,189

Contributions subsequent to the measurement date	222,779	--
Total	$ 256,985	$ 435,189

$222,779 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended Dec. 31:	
2020	$ (128,422)
2021	(142,218)
2022	12,696
2023	(143,039)
2024	--
Thereafter	--

TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM (TESRS)

1. Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the "System") established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classifed in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine member State Board of Trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31 of the following years, contributing fire and/or emergency service department members participating in TESRS were:

	Contributing Departments
2018	238
2019	237

Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

2. Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at a rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death and disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

3. Covered Membership

On August 31 of the following fiscal years, the pension system membership consisted of:

	2018	2019
Retirees and beneficiaries currently receiving benefits	3,533	3,649
Terminated members entitled to but not yet receiving benefits	1,927	1,842
Active participants	3,927	3,702

4. Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

According to the state law governing the System, the State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended in 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contributions arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the August 31, 2016 actuarial valuation, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participating in the System.

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by the System.

5. Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended August 31, 2019, total contributions of $3,480,509 were paid into

TESRS by the political subdivisions served by the member volunteer emergency services personnel. The State appropriated $1,329,224 for the fiscal year ended August 31, 2019.

The purpose of the biennial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed in Section I(B)(1).

The most recently completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $725,000 each year to pay for part of the System's administrative expenses.

6. Net Pension Liability

The System's net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019.

Total pension liability	$ 143,501,039
Plan fiduciary net position	115,155,476
System's net pension liability	$ 28,345,563
Plan fiduciary net position as a percentage of the total pension liability	80.2%

Actuarial Assumptions

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	32%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%

Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real estate	5%	4.46%
Fixed income	23%	1.61%
Cash	--	--
Total	100%	
Weighted average		5.01%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments to current active and inactive members. 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 to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City's proportionate share of the net pension liability	$ 80,104	$ 45,069	$ 21,618
System's net pension liability	50,379,818	28,345,563	13,596,183

Pension Plan Fiduciary Net Position

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

7. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2020, the City reported a liability of $45,069 for its proportionate share of the TESRS's net pension liability.

The net pension liability was measured as of August 31, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions to the pension plan relative to the contributions of all participating departments to the plan for the period September 1, 2018 through August 31, 2019.

For the year ended September 30, 2020, the City recognized pension expense of $8,335.

At September 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ --	$ 53
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	5,804	--
Contributions subsequent to the measurement date	5,602	--
Total	$ 11,406	$ 53

$5,602 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year Ending August 31:	
2020	$ 1,224
2021	642
2022	1,426
2023	2,459

AGGREGATION OF PENSION RELATED BALANCES

The following is an aggregation of pension related balances reflected in the financial statements:

	TMRS	TESRS	Total
Deferred outflow of resources related to pensions	$ 256,985	$ 11,406	$ 268,391
Net pension liability	1,251,072	45,069	1,296,141
Deferred inflows of resources related to pensions	435,189	53	435,242
Pension expense/expenditures	304,118	8,335	312,453

I. Post Employment Benefits Other Than Pensions (OPEB)

1. Plan Description

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefit Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers 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 City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

2. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other post employment benefit (OPEB) and is a fixed amount of $7,500.

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

Inactive employees current receiving benefits	28
Inactive employees entitled to but not year receiving benefits	5
Active employees	50
Total	83

3. Contributions

The member 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 retirees term life insurance during employees' careers.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

The retiree portion of contribution rates to the SDBF for the City were 0.06% and 0.05% in calendar years 2019 and 2020, respectively. The City's contributions to the SDBF for the year ended September 30, 2020 were $1,153, and were equal to the required contributions.

4. Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

5. Actuarial Assumptions

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

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.75%
Retiree's share of benefit-related costs	-

Salary increases were based on a service-related table. Mortality rates for service retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB. Mortality rates for disabled retirees were based on the RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2018 valuation were developed primarily from an actuarial experience study for the four-year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, TMRS adopted the Entry Age Normal Actuarial Cost Method.

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

6. Changes in the Total OPEB Liability

Total OPEB liability - beginning of year	$	151,287
Changes for the year:		
Service cost		6,146
Interest on total OPEB liability		5,702
Differences between expected and actual experience		(7,618)
Changes in assumptions or other inputs		28,093
Benefit payments		(1,317)
Net changes		31,006
Total OPEB liability - end of year	$	182,293

7. 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% lower (1.75%) or 1% higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's Total OPEB Liability	$ 219,670	$ 182,293	$ 152,764

8. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the year ended September 30, 2020, the City recognized OPEB expense of $13,136 At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ --	$ 16,093
Change in assumptions and other inputs	22,047	--
Contributions made subsequent to measurement date	835	--
Total	$ 22,882	$ 16,093

The $835 reported as deferred outflows of resources related to OPEB resulted from contributions subsequent to the measurement date and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Measurement Year Ending December 31:		
2020	$	1,288
2021		1,288
2022		357
2023		926
2024		2,095
	$	5,954

J. Health Care Coverage

The City of Gilmer provides health and dental insurance benefits for its employees. The City contracts with the Texas Municipal League for health insurance. The City does not retain any risk of loss for health care benefits. The total cost fo the City of Gilmer for the fiscal year ended September 30, 2020 was $437,329 The cost of health and dental insurance benefits is recognized as an expenditure as it is paid. The general fund contributed $330,522, the water and sewer fund contributed $98,368, and other governmental funds contributed $8,439.

K. Commitments and Contingencies

1. Contingencies

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 has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

2. Litigation

No reportable litigation was pending against the City at September 30, 2020.

3. 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 it is currently affecting many parts of the world, including the United States and Texas. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

L. Deferred Compensation

Employees of the City may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plan with Respect to Service for State and Local Governments). The deferred compensation plan is available to all employees of the City. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not for withdrawal by employees until termination, retirement, death, or unforseeable emergency.

An unrelated financial institution administers the deferred compensation plan. Under the terms of GASB Statement No. 32, an IRC Section 457 deferred compensation plan's deferred compensation and income attributable to the investment of deferred compensation amounts are held in trust, until paid or made available to the employees or beneficiaries and are the property of the employees and are not accessible by the City or its creditors.

The City does not perform the investing function or have significant administrative involvement in the handling of the plan.

M. Restricted Fund Balance and Net Position

As of September 30, 2020, fund balances restricted for other purposes were as follows:

General Fund		
Hotel-Motel tax	$	38,237
Court restricted funds		7,241
LEOSE		6,701
Wal-mart grant for police department		2,063
Parks		97,890
	$	152,132
Other Governmental Funds		
Police Dept. Seizure Fund	$	14,618
USDA Loan Program		125,627
	$	140,245

As of September 30, 2020, fund balance assigned for specific purposes was as follows:

General Fund		
Planning and zoning master plan	$	25,033
Main Street		28,892
Fire department		3,560
Animal control		1,443
Police department		9,542
Park projects		3,389
Cemetery		2,532
Civic Center		551
Chamber Christmas decorations		471
	$	75,413

As of September 30, 2020, net position restricted for other purposes was as follows:

Governmental Activities		
Hotel-Motel tax	$	38,237
Court restricted funds		7,241
LEOSE		6,701
Wal-Mart grant for police department		2,063
Parks		97,890
Police Dept. Seizure Fund		14,618
USDA Loan Program		125,627
	$	292,377

N. Subsequent Events

Management has evaluated subsequent events through March 17, 2021, the date on which the financial statements were available to be issued.

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