OFFICIAL STATEMENT DATED JUNE 14, 2021

In the opinion of Bond Counsel, interest on the Bonds (defined below) is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

The City has designated the Bonds (defined below) as "qualified tax-exempt obligations." See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."

NEW ISSUE: BOOK-ENTRY-ONLY **RATINGS: S&P Global Ratings .... "AA-"**
See "**SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings**"

$1,940,000
CITY OF RICHWOOD, TEXAS

(A home rule city of the State of Texas located within Brazoria County)

GENERAL OBLIGATION BONDS, SERIES 2021

Dated: July 1, 2021 Due: August 15, as shown below
Interest Accrues from Delivery Date

The $1,940,000 City of Richwood, Texas General Obligation Bonds, Series 2021 (the "Bonds"), are being issued by the City of Richwood, Texas (the "City") pursuant to the terms of the ordinance adopted by the City Council of the City on June 14, 2021 (the "Ordinance").

Interest on the Bonds will accrue from the date of initial delivery (anticipated to be July 13, 2021), 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 consisting of twelve 30-day months. The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System." The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. See "THE BONDS – Description."

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 6, 2018, and the Ordinance. The Bonds, when issued, will constitute valid and binding obligations of the City and will be payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS – Source of Payment" and "– Authorization of the Bonds."

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES
(Due August 15)

$565,000 Serial Bonds

Maturity (August 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 765605 (b)	Maturity (August 15)	Principal Amount	Interest Rate	Initial Reoffering Yield (a)	CUSIP Nos. 765605 (b)
2022	$ 30,000	3.00%	0.25%	GP9	2026	$ 85,000	3.00%	0.65%	GT1
2023	45,000	3.00	0.30	GQ7	2027	90,000	3.00	0.85	GU8
2024	45,000	3.00	0.40	GR5	2028	90,000	3.00	1.00	GV6
2025	85,000	3.00	0.55	GS3	2029	95,000	3.00	1.15	GW4

$1,375,000 Term Bonds

$195,000 Term Bond Due August 15, 2031[(a)(d)] Interest Rate 3.00% (Price $116.641) CUSIP Number 765605 GY0[(b)]
$210,000 Term Bond Due August 15, 2033[(a)(c)(d)] Interest Rate 3.00% (Price $115.513) CUSIP Number 765605 HA1[(b)]
$225,000 Term Bond Due August 15, 2035[(a)(c)(d)] Interest Rate 3.00% (Price $114.902) CUSIP Number 765605 HC7[(b)]
$235,000 Term Bond Due August 15, 2037[(a)(c)(d)] Interest Rate 3.00% (Price $114.296) CUSIP Number 765605 HE3[(b)]
$510,000 Term Bond Due August 15, 2041[(a)(c)(d)] Interest Rate 2.00% (Price $100.000) CUSIP Number 765605 HJ2[(b)]

(Interest Accrues from the Delivery Date)

(a) The initial yields have been established by and are the sole responsibility of the Underwriter, and may subsequently be changed.
(b) CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. CUSIP numbers have been included solely for the convenience of the owners of the Bonds. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. Neither the City, the Financial Advisor, nor the Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.
(c) The Bonds maturing on August 15, 2032 and thereafter, are subject to redemption on August 15, 2031 or any date thereafter, at the option of the City, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE BONDS - Redemption Provisions."
(d) Subject to mandatory sinking fund redemption in the years and in the amounts set forth herein under the caption "THE BONDS - Mandatory Sinking Fund Redemption."

Proceeds from the sale of the Bonds will be used to pay for (i) street and road improvements; (ii) sidewalk construction and improvements; and (iii) the costs of issuance related to the sale of the Bonds. See "THE BONDS – Use of Proceeds" and "- Sources and Uses of Funds."

The Bonds are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel for the City, as to the validity of the issuance of the Bonds under the Constitution and laws of the State of Texas. See "LEGAL MATTERS." Certain legal matters will be passed upon for the underwriter listed below (the "Underwriter") by their counsel, Holland & Knight LLP, Houston, Texas. Delivery of the Bonds through DTC is expected to be on or about July 13, 2021 (the "Delivery Date").

SAMCO CAPITAL

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.

This Official Statement is not to be used in 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.

This Official Statement contains, in part, estimates, assumptions and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates, assumptions or matters of opinion or as to the likelihood that they will be realized. 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 condition of the City or other matters described herein since the date hereof.

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

NEITHER THE CITY, THE FINANCIAL ADVISOR, THE UNDERWRITER NOR BOND COUNSEL MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING DTC OR ITS BOOK-ENTRY-ONLY SYSTEM.

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

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, Rule 15c2-12.

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TABLE OF CONTENTS

The cover page hereof, the section entitled "Official Statement Summary," this Table of Contents and the Appendices attached hereto are part of the Official Statement.

$1,940,000
CITY OF RICHWOOD, TEXAS

(A home rule city of the State of Texas located within Brazoria County)

GENERAL OBLIGATION BONDS, SERIES 2021

INTRODUCTORY STATEMENT

Information contained in this Official Statement, including Appendices A and B, has been obtained from the City of Richwood, Texas (the "City") in connection with the offering by the City of its $1,940,000 General Obligation Bonds, Series 2021 (the "Bonds") identified on the cover page hereof.

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

SALE AND DISTRIBUTION OF THE BONDS

Underwriting

The Underwriter listed on the cover page hereof has agreed, subject to certain conditions, to purchase the Bonds from the City for $2,110,975.45 (being the principal amount of the Bonds, plus a premium on the Bonds of $194,837.45 and less an Underwriter's discount of $23,862.00).

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

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the City of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Bonds stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public or the prices at which the Bonds have been offered and held as provided in the Purchase Agreement. The City has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Underwriter at the yields specified on the cover page hereof. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such jurisdictions.

NEITHER THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE BONDS OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Municipal Bond Ratings

In connection with the sale of the Bonds, the City has made application to S&P Global Ratings ("S&P") for ratings, and a rating of "AA-" has been assigned to the Bonds. An explanation of the significance of such rating may be obtained from S&P. The rating reflects only the views of S&P, and the City makes no representation as to the appropriateness of such rating.

There is no assurance that such rating will continue for any period of time or that such rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

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OFFICIAL STATEMENT SUMMARY

The following material is a summary of certain information contained herein and is qualified in its entirety by the detailed information and financial statements appearing elsewhere in this Official Statement. The reader should refer particularly to sections that are indicated for more complete information.

The Issuer	The City of Richwood, Texas (the "City"), is a home rule city and municipal corporation of the State of Texas (the "State"), located in Brazoria County, Texas. For additional information regarding the City, see "ADMINISTRATION OF THE CITY" and "APPENDIX A – General Information Regarding the City of Richwood" herein.
The Bonds	The Bonds are being issued as $1,940,000 General Obligation Bonds, Series 2021. The Bonds include $565,000 principal amount of serial bonds maturing August 15 in the years 2022 through 2029, inclusive (the "Bonds") and $1,375,000 principal amount of term bonds maturing August 15 in the years 2031, 2033, 2035, 2037 and 2041 (the "Term Bonds"). See "THE BONDS – Description."
Payment of Interest	Interest on the Bonds and Term Bonds accrues from the date of initial delivery (anticipated to be July 13, 2021), and is payable on February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption. See "THE BONDS – Description."
Redemption Provisions	The City reserves the right, at its option, to redeem Bonds having stated maturities on and after August 15, 2032, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. See "THE BONDS – Redemption Provisions." The Term Bonds are subject to mandatory sinking fund redemption as described under the caption "THE BONDS – Mandatory Sinking Fund Redemption."
Authority for Issuance of the Bonds	The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1331, Texas Government Code, as amended, an election held in the City on November 6, 2018, and the ordinance adopted by the City Council authorizing the Bonds (the "Ordinance"). See "THE BONDS – Authorization of the Bonds."
Security for the Bonds	The Bonds, when issued, will constitute valid and binding obligations of the City and will be secured by and payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment."
Use of Proceeds	Proceeds from the sale of the Bonds will be used to pay for (i) street and road improvements; (ii) sidewalk construction and improvements; and (iii) the costs of issuance related to the sale of the Bonds.
Tax Exemption	In the opinion of Bond Counsel, interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.
Qualified Tax-Exempt Obligations	The City has designated the Bonds as qualified tax-exempt obligations. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions."
Ratings	S&P Global Ratings .... "AA-"
	The ratings reflect only the respective views of S&P Global Ratings ("S&P") and the City makes no representation as to the appropriateness of such ratings. There is no assurance that such ratings will continue for any period of time or that they will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or

	withdrawal of such ratings may have an adverse effect on the market price of the Bonds. See “SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings.”
Book-Entry-Only System	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System."
Payment Record..............................	The City has never defaulted in payment of principal or interest on any of its outstanding debt.

For additional information regarding the City, please contact:

Eric Foerster		John Robuck
City Manager		Managing Director
City of Richwood, Texas	or	BOK Financial Securities, Inc.
1800 Brazosport Blvd. N.		1401 McKinney Street, Suite 1000
Richwood, Texas 77531		Houston, Texas 77010
Phone: (979) 265-2082		Phone: (713) 289-5897

TABLE 1 - SELECTED FINANCIAL INFORMATION

- Selected Financial Information -
(Unaudited)

2020 Net Taxable Assessed Valuation (100% of market value)	$	343,833,130 (a)
Direct Debt:		
Outstanding Tax Supported Debt (as of June 1, 2021) (b)	$	8,065,000
Plus: The Bonds		1,940,000
Less: Self Supporting Debt		(4,375,000) (c)
Total Tax Supported Debt	$	5,630,000
Estimated Overlapping Debt	$	8,342,801
Direct and Estimated Overlapping Debt	$	13,972,801
Debt Service Fund Balance (as of May 1, 2021)	$	371,937 (d)

Debt Ratios:	% of 2020 Taxable Assessed Valuation (a)	Per Capita (4,052)
Direct Tax Supported Debt	1.64%	$1,389
Direct Tax Supported and Estimated Overlapping Debt	4.06%	$3,448

2020 Tax Rate (per $100 of Assessed Valuation)		
Maintenance and Operation	$	0.517222
Debt Service		0.110248
Total	$	0.627470
Annual Debt Service Requirements:		
Average (Fiscal Years 2021-2041)	$	355,379 (e)
Maximum (2022)	$	474,880 (e)
Tax Collections:		
Arithmetic Average, Tax Years (2015-2019)		99.80%

(a) Certified by the Brazoria County Central Appraisal District (the "Appraisal District") and net of exemptions.
(b) The City entered into a direct purchase loan with First National Bank of Lake Jackson in 2013 to finance the completion of the City Hall building (the "City Hall Loan"). The City Hall Loan, currently outstanding in the amount of $221,359, is subject to immediate acceleration in the event that the City defaults under the City Hall Loan agreement or defaults on any other outstanding debt. However, the City believes it has sufficient liquidity to cover the outstanding amount if it defaults under the City Hall Loan agreement or defaults on any other outstanding debt. See "APPENDIX B – Note 8" for additional information regarding the City Hall Loan.
(c) Includes the City's Tax and Revenue Certificates of Obligation, Series 2004 (the "Series 2004 Certificates"), Tax and Revenue Certificates of Obligation, Series 2011 (the "Series 2011 Certificates") and the General Obligation Bonds, Series 2019B (the "Series 2019B Bonds"), which the City treats as self-supporting debt payable from surplus revenues of the Waterworks and Sewer System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.
(d) Unaudited.
(e) Includes the Bonds and excludes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt.

INTRODUCTION

This Official Statement and Appendices A and B hereto provide certain information with respect to the issuance by the City of Richwood, Texas (the "City") of its $1,940,000 City of Richwood, Texas General Obligation Bonds, Series 2021 (the "Bonds").

The Bonds, when issued, will constitute valid and binding obligations of the City and will be secured by and payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "THE BONDS - Source of Payment."

There follows in this Official Statement descriptions of the Bonds, the plan of financing, and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City upon request. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Bonds (the "Ordinance") adopted by the City Council on June 14, 2021, except as otherwise indicated herein.

THE BONDS

Description

The Bonds are being issued as $1,940,000 General Obligation Bonds, Series 2021 and shall mature on the dates and in the amounts set forth on the cover page hereof.

The Bonds are dated July 1, 2021 and bear interest from the date of initial delivery anticipated to be July 13, 2021 (the "Delivery Date"), to the underwriter listed on the cover page hereof (the "Underwriter") at the stated interest rates indicated on the cover page hereof, which interest is payable initially on February 15, 2022, and each August 15 and February 15 thereafter until the earlier of maturity or prior redemption.

The Bonds are issued in fully registered form in principal denominations of $5,000 each or any multiple thereof. Principal of the Bonds is payable at the principal payment office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (the "Paying Agent/Registrar"). Interest on the Bonds will be payable by check, dated as of the interest payment date, and mailed by the Paying Agent/Registrar to registered owners as shown on the records of the Paying Agent/Registrar. The Bonds initially will be registered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the Book-Entry-Only System described below.

In the event the Book-Entry-Only System is discontinued, the Bonds may be transferred and exchanged on the bond register kept by the Paying Agent/Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged at the principal payment office of the Paying Agent/Registrar. No service charge will be made for any transfer, but the City may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

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

If interest on any Bond is not paid on any interest payment date and continues unpaid for thirty (30) days thereafter, the Paying Agent/Registrar shall establish a new record date for the payment of such interest, to be known as a Special Record Date. The Paying Agent/Registrar shall establish a Special Record Date when funds to make such interest payment are received from or on behalf of the City. Such Special Record Date shall be fifteen (15) days prior to the date fixed for payment of such past due interest, and notice of the date of payment and the Special Record Date shall be sent by United States mail, first class, postage prepaid, not later than five (5) days prior to the Special Record Date, to each affected owner of record as of the close of business on the day prior to the mailing of such notice.

It will be required that all transfers be made within three business days after request and presentation. The City has agreed to replace mutilated, destroyed, lost or stolen Bonds upon surrender of the mutilated Bonds, or receipt of satisfactory evidence of such destruction, loss or theft, and receipt by the City and the Paying Agent/Registrar of security or indemnity to keep them harmless. The City may require payment of taxes, governmental charges and other expenses in connection with any such replacement.

Redemption Provisions

The Bonds maturing on August 15, 2032 and thereafter are subject to optional redemption prior to maturity, in whole or from time to time in part, on August 15, 2031, or any date thereafter, at the option of the City at a price equal to the principal amount thereof plus accrued interest from the most recent interest payment date to the date of redemption. If less than all of the Bonds are redeemed at any time, the maturities of such Bonds to be redeemed shall be selected by the City. If less than all of a maturity of the Bonds is to be redeemed, the Paying Agent/Registrar, (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Mandatory Sinking Fund Redemption

The Bonds maturing August 15 in the years 2031, 2033, 2035, 2037 and 2041 (the "Term Bonds"), shall be subject to mandatory sinking fund redemption, in whole or from time to time in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption), on August 15 in each of the years and in the amounts set forth below:

$195,000 Term Bond Maturing August 15, 2031

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2030	$ 95,000
August 15, 2031 (Stated Maturity)	100,000

$210,000 Term Bond Maturing August 15, 2033

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2032	$105,000
August 15, 2033 (Stated Maturity)	105,000

$225,000 Term Bond Maturing August 15, 2035

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2034	$110,000
August 15, 2035 (Stated Maturity)	115,000

$235,000 Term Bond Maturing August 15, 2037

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2036	$115,000
August 15, 2037 (Stated Maturity)	120,000

$510,000 Term Bond Maturing August 15, 2041

Mandatory Redemption Dates	Mandatory Sinking Fund Payment
August 15, 2038	$125,000
August 15, 2039	125,000
August 15, 2040	130,000
August 15, 2041 (Stated Maturity)	130,000

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed, shall call such Term Bonds for redemption on such scheduled mandatory redemption date, and shall give notice of such redemption, as provided below. The principal amount of the Term Bonds required to be redeemed on any redemption date pursuant to the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City at a price not exceeding the principal amount of such Term Bonds plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions hereof and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

Not less than 30 days prior to a Redemption Date, the City will cause a notice of redemption to be sent by United States Mail, first-class postage prepaid, in the name of the City and at the City's expense, by the Paying Agent/Registrar to each registered owner of a Bond to be redeemed in whole or in part at the address of the registered owner appearing on the security register at the close of business on the business day next preceding the date of mailing such notice, and any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the registered owner. All notices of redemption will state:

(1) the redemption date,

(2) the redemption price,

(3) the principal amount and identification (by City and Bond name, CUSIP number, stated maturity, interest rate, Dated Date, and, in the case of partial redemption, the Bond numbers and respective principal amounts) of Bonds to be redeemed,

(4) that on the redemption date the redemption price of each of the Bonds to be redeemed will become due and payable and that interest thereon will cease to accrue from and after said date, and

(5) that the Bonds to be redeemed are to be surrendered for payment of the redemption price at the place of payment (as defined in the Ordinance), and the address of such place of payment.

ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

Book-Entry-Only System

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

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

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

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

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Redemption proceeds and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable dates 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 in 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, the Paying Agent/Registrar or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and 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 City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes not 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 Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and, (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

Successor Paying Agent/Registrar

Provision is made in the Ordinance for replacing the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor paying agent/registrar (the "Successor Paying Agent/Registrar"), and the Successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any Successor Paying Agent/Registrar selected by the City shall be a commercial bank or trust company organized under the laws of the United States or any state and duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds.

Source of Payment

The Bonds, when issued, will constitute valid and binding obligations of the City and will be secured by and payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City.

Use of Proceeds

Proceeds from the sale of the Bonds will be used to pay for (i) street and road improvements; (ii) sidewalk construction and improvements; and (iii) the costs of issuance related to the sale of the Bonds.

Authorization of the Bonds

The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, particularly Chapter 1331, Texas Government Code, as amended, an election held within the City on November 6, 2018, and the Ordinance. The Bonds constitute the second and final installment of the total authorization of $5,000,000 approved in three separate propositions at an election held on November 6, 2018.

The following table illustrates the bonds authorized, issued and remaining authorized but unissued by proposition.

TABLE 2 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

Date Authorized	Purpose	Amount Authorized	Issued To Date	Less: The Bonds (a)	Authorized But Unissued
11/6/2018	Streets & Roads	$3,000,000	$1,380,000	$1,620,000	$-0-
11/6/2018	Sidewalks	500,000	75,000	425,000	-0-
11/6/2018	Drainage	1,500,000	1,500,000	-0-	-0-
		$5,000,000	$2,955,000	$2,045,000	$-0-

(a) Includes $1,940,000 par amount of the Bonds and a portion of the premium in the amount of $105,000 generated on the sale of the Bonds and applied against voted authorization.

Sources and Uses of Funds

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

SOURCES OF FUNDS:		
Principal Amount of Bonds	$	1,940,000.00
Premium on the Bonds		194,837.45
Total Sources of Funds	$	2,134,837.45
USES OF FUNDS		
Deposit to Construction Fund	$	2,045,000.00
Expenses:		
Underwriter's Discount		23,862.00
Other Issuance Expenses (a)		65,975.45
Total Uses of Funds	$	2,134,837.45

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

Future Debt

After the sale of the Bonds, the City will have no authorized but unissued bonds. The City may also issue additional certificates of obligation for City projects. Depending on the rate of development within the City, changes in assessed valuation, and the amounts, interest rates, maturities and time of issuance of additional certificates of obligation or bonds, increases in the City's annual ad valorem tax rate may be required to provide for the payment of the principal of and interest on the City's outstanding bonds, the Bonds, and such future certificates of obligation or bonds.

Legal Investments and Eligibility to Secure Public Fund in Texas

Pursuant to the Texas Public Securities Procedures Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are (a) legal investments for insurance companies, fiduciaries and trustees and (b) legal investments for the sinking funds of political subdivisions or public agencies of the State of Texas. Most political subdivisions in the State of Texas are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments for such entity's funds. The Bonds are eligible under the Public Funds Collateral Act, Chapter 2257, Texas Government Code, as amended, to secure deposits of public funds of the State of Texas or any political subdivision or public agency of the State of Texas and are lawful and sufficient security for those deposits to the extent of their market value. Again, political subdivisions in the State of Texas may impose a requirement that the Bonds have a rating of not less than "A" or its equivalent to be eligible to serve as collateral for their funds.

The City has not made any investigations of any other laws, rules, regulations or investment criteria that might affect the suitability of the Bonds for any of the above purposes or limit the authority of any of the above entities or persons to purchase or invest in the Bonds.

Remedies of Holders of the Bonds

The Ordinance does not establish specific events of default with respect to the Bonds or provide for the appointment of a trustee to represent the interests of the owners upon any failure of the City to perform in accordance with the terms of the Bonds, or upon any other condition. If the City defaults in any payment due on the Bonds, or if the City defaults in the observance or performance of any of the covenants, conditions, or obligations set forth in the Ordinance, any registered owner is entitled to seek a writ of mandamus or mandatory injunction from a court of proper jurisdiction to compel the City to levy, assess and collect an annual ad valorem tax sufficient (within the limits described herein) to pay principal of and interest on the Bonds as they become due or to perform other material covenants, conditions or obligations contained in the Ordinance. In general, Texas courts have held that a writ of mandamus may be issued to require a public official to perform legally imposed ministerial duties necessary for the performance of a valid contract; and Texas law provides that, following their approval by the Attorney General and issuance, the Bonds are valid and binding obligations for all purposes according to their terms. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. Such rights are in addition to any other rights the registered owners of the Bonds may be provided by the laws of the State with respect to the Bonds. Under Texas law there is no right to the acceleration of maturity of the Bonds upon the failure of the City to observe any covenant under the Ordinance. A registered owner of Bonds could file suit against the City if a default occurred in the payment of principal of or interest on any such Bonds; however, a suit for monetary damages would be vulnerable to the defense of governmental immunity and any judgment could not be satisfied by execution against any public purpose property of the City. Any waiver of governmental immunity must be by express act of the Texas Legislature. Further, if such a suit were authorized and a judgment obtained, registered owners could not foreclose on public purpose property to satisfy the judgment.

The City is also eligible, pursuant to Section 140.001, Texas Local Government Code, to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or owners of an entity that 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 another federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the limitations related to bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting the rights of creditors of political subdivisions.

INVESTMENT AUTHORITY AND INVESTMENT OBJECTIVES OF THE CITY

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

Legal Investments

Available City funds are invested as authorized by Texas law and in accordance with investment policies approved by the Mayor and Council of the City. Both state law and the City’s investment policies are subject to change. Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits (i) 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; or (ii) 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 investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (II) a depository institution with a main office or branch office in this state that the investing entity selects; (b) the broker or depository institution selected as described by subsection (a) 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 investing entity’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 investing entity appoints as the entity’s custodian of the banking deposits issued for the entity’s account: (I) the depository institution selected as described by subsection (a); (II) an entity described by Section 2257.041(d); or (III) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (8) certificates of deposit or share certificates (i) that are issued by or through a depository institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (7) or in accordance with Chapter 2257, Texas Government Code or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (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 (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) certain bankers' acceptances with a stated maturity of 270 days or less, that will be, in accordance with their terms, liquidated in full at maturity; that are eligible for collateral for borrowing from a Federal Reserve Bank, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least A 1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), and comply with federal Securities and Exchange Commission Rule 2a-7; and (13) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have 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 certain 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, including the Federal Home Loan Banks, in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below; and is pledged to the City and deposited with the City or with a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (7) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAAm" or an equivalent by at least one nationally recognized rating service if the governing body of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Investment Policies

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

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

The City's policies require investments in accordance with applicable state law. The City's Statement of Investment Policy does not exclude any investments allowable under State law described above under "Legal Investments." The City generally invests in certificates of deposit, money market accounts and obligations of the United States or its agencies and instrumentalities.

Current Investments

The City's investment balances on March 31, 2021 were as follows:

TABLE 3 - CURRENT INVESTMENTS

	Book Value	Market Value
Investment Pools	$6,443,489	$6,443,489
Certificates of Deposit	518,951	518,951
Pooled Cash Account	2,802,849	2,802,849
Total Portfolio	$9,765,290	$9,765,290

Additional Provisions

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies; (3) require any investment officers' with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the 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 repurchase agreement; (8) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding obligation proceeds and reserves and other funds held for debt service, and to invest no portion of obligation proceeds, reserves and funds held for debt service, in mutual funds; (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.

CITY TAX DEBT

Tax Supported Debt Statement

The following tables and calculations relate to the Bonds and to all other tax supported debt of the City. The City and various other political subdivisions of government which overlap all or a portion of the City are empowered to incur debt to be paid from revenues raised or to be raised by taxation against all or a portion of property within the City.

Bonded Indebtedness Payable from Ad Valorem Taxes

2020 Net Taxable Assessed Valuation (100% of market value)	$	343,833,130	(a)
Direct Debt:			
Outstanding Tax Supported Debt (as of June 1, 2021) (b)	$	8,065,000	
Plus: The Bonds		1,940,000	
Less: Self Supporting Debt		(4,375,000)	(c)
Total Tax Supported Debt	$	5,630,000	
Debt Service Fund Balance (as of May 1, 2021)	$	371,937	(d)

(a) Certified by the Appraisal District and net of exemptions.

(b) The City entered into a direct purchase loan with First National Bank of Lake Jackson in 2013 to finance the completion of the City Hall building (the "City Hall Loan"). The City Hall Loan, currently outstanding in the amount of $221,359, is subject to immediate acceleration in the event that the City defaults under the City Hall Loan agreement or defaults on any other outstanding debt. However, the City believes it has sufficient liquidity to cover the outstanding amount if it defaults under the City Hall Loan agreement or defaults on any other outstanding debt. See "APPENDIX B – Note 8" for additional information regarding the City Hall Loan.

(c) Includes the City's Tax and Revenue Certificates of Obligation, Series 2004 (the "Series 2004 Certificates"), Tax and Revenue Certificates of Obligation, Series 2011 (the "Series 2011 Certificates") and the General Obligation Bonds, Series 2019B (the "Series 2019B Bonds"), which the City treats as self-supporting debt payable from surplus revenues of the Waterworks and Sewer System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.

(d) Unaudited.

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Tax-Supported Debt Service Schedule

The following sets forth the principal and interest on the City's outstanding tax supported debt, plus the principal and interest on the Bonds.

TABLE 4 - TAX-SUPPORTED DEBT SERVICE

FY Ending 9/30	Current Tax-Supported Debt Service Requirements	The Bonds		Total Debt Service Requirements	Less: Debt Paid by the Waterworks and Sewer System (a)	Total Tax-Supported Debt Service Requirements
		Principal	Interest			
2021	$ 668,222			$ 668,222	$ 283,428	$ 384,795
2022	705,837	$ 30,000	$ 57,820	793,657	318,777	474,880
2023	721,940	45,000	52,200	819,140	347,915	471,226
2024	731,806	45,000	50,850	827,656	360,940	466,716
2025	660,755	85,000	49,500	795,255	363,205	432,050
2026	607,515	85,000	46,950	739,465	316,265	423,200
2027	600,414	90,000	44,400	734,814	310,464	424,350
2028	588,139	90,000	41,700	719,839	304,664	415,175
2029	580,819	95,000	39,000	714,819	303,819	411,000
2030	575,599	95,000	36,150	706,749	296,474	410,275
2031	565,009	100,000	33,300	698,309	299,134	399,175
2032	494,225	105,000	30,300	629,525	231,400	398,125
2033	410,600	105,000	27,150	542,750	226,000	316,750
2034	394,400	110,000	24,000	528,400	220,600	307,800
2035	383,400	115,000	20,700	519,100	215,200	303,900
2036	372,400	115,000	17,250	504,650	209,800	294,850
2037	361,400	120,000	13,800	495,200	204,400	290,800
2038	345,400	125,000	10,200	480,600	194,000	286,600
2039	344,600	125,000	7,700	477,300	193,800	283,500
2040	188,400	130,000	5,200	323,600	188,400	135,200
2041	183,000	130,000	2,600	315,600	183,000	132,600
2042	172,600			172,600	172,600	0
2043	172,400			172,400	172,400	0
2044	162,000			162,000	162,000	0
2045	161,800			161,800	161,800	0
2046	156,400			156,400	156,400	0
2047	151,000			151,000	151,000	0
2048	140,600			140,600	140,600	0
2049	140,400			140,400	140,400	0
Totals	$11,741,078	$1,940,000	$610,770	$14,291,848	$6,828,882	$7,462,966

Average Annual Requirements (2021-2041) .... $355,379 (b)
Maximum Annual Requirement (2022) .... $474,880 (b)

____

(a) Includes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt payable from surplus revenues of the Waterworks and Sewer System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.

(b) Includes the Bonds and excludes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt.

TABLE 5 – COMPUTATION OF SELF-SUPPORTING DEBT (a)

Net Water and Sewer System Revenue Available (9/30/2020)	$ 596,879
Less: Requirements for Water and Sewer System Revenue Bonds	0
Available for Other Purposes	$ 596,879
Water and Sewer System General Obligation Bonds, Self-Supported (9/30/2021) (a)	$ 384,795
Percentage of Water and Sewer General Obligation Bonds, Self-Supported	100.00%

(a) Includes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt payable from surplus revenues of the Waterworks and Sewer System pursuant to a policy determination by City Council, which is subject to change. If payments were not made from such sources in the future, the difference would be paid from ad valorem taxes.

Estimated Overlapping Debt

The following table indicates the indebtedness, defined as outstanding obligations payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. This information is based upon data secured from the individual jurisdictions and/or the Texas Municipal Reports. Such figures do not indicate the tax burden levied by the applicable taxing jurisdictions for operation and maintenance or for other purposes. The City has not independently verified the accuracy or completeness of the information shown below except for amounts related to the City.

TABLE 6 - ESTIMATED OVERLAPPING DEBT

Taxing Jurisdiction	Debt as of May 1, 2021	Overlapping Percent	Overlapping Amount
Brazoria County	$ 135,313,313	0.61%	$ 825,411
Brazosport College District	45,820,000	1.48	678,136
Brazosport ISD	409,780,000	1.48	6,064,747
Port Freeport	68,800,000	1.02	701,760
Velasco DD	4,850,000	1.50	72,750
TOTAL ESTIMATED OVERLAPPING			$ 8,342,801
The City (a)			5,630,000
Total Direct and Estimated Overlapping Debt			$13,972,801

(a) Includes the Bonds and excludes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt.

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

Debt Ratios

	Direct Debt (a)	Direct and Overlapping Debt (a)
Per 2020 Taxable Assessed Valuation ($343,833,130)	1.64%	4.06%
Per Capita (4,052)	$1,389	$3,448

(a) Includes the Bonds and excludes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt.

TAX DATA

General

One of the City's principal sources of operational revenue and its principal source of funds for debt service payments is the receipts from ad valorem taxation. See "SELECTED FINANCIAL DATA." The following is a recapitulation of (a) certain provisions of Title I of the Texas Tax Code, including methodology, limitations, remedies and procedures (reference is made to Title I of the Texas Tax Code n full); (b) historical analysis of collection and trends of tax receipts and provisions for delinquencies; (c) an analysis of the tax base, including relative property composition, principal taxpayers and adequacy of the tax base to service debt requirements; and (d) taxation that may add to the City's taxpayers' tax costs.

Ad Valorem Property Taxation

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

<u>Valuation of Taxable Property</u>. 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 ("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 Brazoria County Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, 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"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX DATA - City's Rights in the Event of Tax Delinquencies."

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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

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

Local Option Homestead Exemptions. The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

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

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

Freeport Exemptions. Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

The City has taken official action and determined not to grant a "Goods-in Transit" exemption.

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, generally 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.

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.

Public Hearing and Maintenance and Operation 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.

Beginning with the 2020 tax year, the procedures in this paragraph and the following paragraphs apply. 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 Bonds.

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

Debt Tax Rate Limitations

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

2021 Legislative Session

The 87th Texas Legislature convened on January 12, 2021 and will be adjourned on May 31, 2021. The Legislature meets in regular session in odd-numbered years, for 140 days. When the Legislature is not in session, the Governor of Texas may call one or more special sessions, at the Governor's discretion, each lasting no more than 30 days, and for which the Governor sets the agenda.

Historical Analysis of Tax Collection

TABLE 7 - TAX COLLECTION RATIOS

- Tax Collection Ratios -

Tax Year	Net Assessed Valuation (a)	Tax Rate Per $100 of Assessed Valuation	Adjusted Tax Levy	Collections on Adjusted Tax Levy	Fiscal Year Ending 9-30
2011	$166,401,250	$0.693660	$1,154,325	99.10%	2012
2012	167,373,223	0.735680	1,243,507	100.13	2013
2013	170,358,828	0.735680	1,253,330	98.82	2014
2014	188,016,565	0.735680	1,383,238	99.55	2015
2015	194,446,838	0.735680	1,430,545	100.00	2016
2016	236,551,500	0.672580	1,499,628	99.07	2017
2017	294,751,459	0.634444	1,869,903	99.02	2018
2018	274,825,298 (b)	0.670204	1,841,890	100.79	2019
2019	294,568,903	0.670204	2,030,704	100.10	2020
2020	343,833,130	0.627470	2,157,450	95.05(c)	2021

(a) Certified by the Appraisal District and net of exemptions. Also such value is further subject to change as additions, corrections, and deletions are made to the tax roll. Value may differ from those shown in the audited financial statements or elsewhere in this Official Statement due to subsequent adjustments to the tax roll.

(b) The City's net assessed valuation for tax year 2018 declined by approximately $19.9 million due to the effects from Hurricane Harvey. The City does not anticipate a further reduction in values in future years as a result of Hurricane Harvey. See "SEVERE WEATHER EVENTS."

(c) Collections as of May 1, 2021.

Source: City's audited financial statements and/or City records.

TABLE 8 - TAX RATE DISTRIBUTION

- Tax Rate Distribution -

	Tax Year 2020	Tax Year 2019	Tax Year 2018	Tax Year 2017	Tax Year 2016
Maintenance	$0.517222	$0.552396	$0.609627	$0.575223	$0.601303
Debt Service	0.110248	0.117808	0.060577	0.059221	0.071277
Total	$0.627470	$0.670204	$0.670204	$0.634444	$0.672580

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Analysis of Tax Base

TABLE 9 - TAX BASE DISTRIBUTION

- Tax Base Distribution -

Type of Property	2020 Tax Roll (a) Amount	%	2019 Tax Roll (a) Amount	%	2018 Tax Roll (a) Amount	%
Residential	$306,569,991	78.38%	$256,425,865	77.22%	$221,905,624	74.73%
Vacant Lots/Tracts	16,414,897	4.20	14,086,761	4.24	14,683,958	4.95
Farm & Ranch Acreage	4,584,975	1.17	4,476,485	1.35	3,489,649	1.18
Commercial/Industrial	43,484,448	11.12	36,646,498	11.04	36,632,917	12.34
Utilities	3,163,360	0.81	2,869,970	0.86	2,936,170	0.99
Other	16,909,460	4.32	17,563,959	5.29	17,284,970	5.82
Total Market Value	$391,127,131	100.00%	$332,069,538	100.00%	$296,933,288	100.00%
Less: Exemptions:						
Over 65 or Disabled	$ (6,611,817)		$ (6,138,610)		$ (5,611,710)	
Disabled Veteran	(2,313,616)		(2,106,252)		(1,597,600)	
Other Exemptions	(35,475,232)		(29,255,773)		(14,898,680)	
Total Taxable Value	$343,833,130		$294,568,903		$274,825,298	

(a) Value may differ from those shown in the audited financial statements or elsewhere in this Official Statement due to subsequent adjustments to the tax roll.

Source: The Appraisal District.

TABLE 10 - PRINCIPAL TAXPAYERS

- Principal Taxpayers -

Principal Taxpayer	Type of Property	2020 Taxable Assessed Valuation	2019 Taxable Assessed Valuation	2018 Taxable Assessed Valuation
Brazos Reserve LLC	Apartments	$25,000,000	$21,767,000	$20,941,190
Brazos Creekwood LLC	Apartments	15,500,000	13,911,410	13,911,410
Fifeshire Landing LP	Apartments	10,002,890	8,252,160	8,264,650
Interurban Creekside LLP	Apartments	9,855,350	7,409,700	7,530,170
Setpoint Integrated Solutions Inc.	Industrial Tech	4,380,600	2,741,460	2,839,250
Yaklin Ford Inc.	Car Dealership	3,717,590	3,856,720	3,980,620
IDV Brazosport LP	Commercial	2,147,890	2,092,350	1,751,650
McCoy Corp.	Construction Supply	2,078,710	2,078,710	2,078,710
CenterPoint Energy Inc.	Electric Company	1,861,940	1,769,930	(a)
	Commercial	1,803,570	(a)	(a)
HMN Holdings	Commercial	(a)	2,133,810	2,351,860
McCoy's Building Supply Center	Construction Supply	(a)	(a)	1,875,740
Total Ten Principal Taxpayers		$76,348,540 (b)	$66,013,250	$65,525,250
Percentage Ten Principal Taxpayers Comprise of Tax Roll		22.02%	22.41%	23.84%

(a) Not included as a top ten taxpayer for respective tax year.

(b) Approximately 22.21% of the City's total taxable value is concentrated in its top ten taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less local tax revenue or future increase in ad valorem tax rates.

TABLE 11 - TAX ADEQUACY

- Tax Adequacy -

Average Annual Debt Service Requirements (2021-2041)	$355,379 (a)
Tax Rate of $0.109 per $100 assessed valuation against the 2020 Assessed Valuation of 95% collection produces	$356,039
Maximum Annual Tax Debt Service Requirements (in the year 2022)..............................	$474,880 (a)
Tax Rate of $0.146 per $100 assessed valuation against the 2020 Assessed Valuation of 95% collection produces	$476,897

(a) Includes the Bonds and excludes the Series 2004 Certificates, Series 2011 Certificates and the Series 2019B Bonds, which the City treats as self-supporting debt.

Sales Tax

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On October 1, 2003, the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4 of 1%) for street maintenance and repair. Additionally, on October 1, 2009, the voters of the City approved the imposition of an additional sales and use tax of one-quarter of one percent (1/4 of 1%) for crime control and prevention.

The sales tax breakdown for the City is as follows:

Street Maintenance and Repair	0.25%
Crime Control Prevention District	0.25%
City Sales and Use Tax	1.00%
Brazoria County Sales and Use Tax	0.50%
State Sales and Use Tax	6.25%
	8.25%

TABLE 12 - SALES TAX COLLECTION

Fiscal Year Ended 9-30	Total Collected	Equivalent Tax Year	Tax Rate Equivalent	% of Actual Tax Levy
2013	$381,160	(2012)	$0.228	30.65%
2014	412,681	(2013)	0.242	32.93%
2015	536,520	(2014)	0.285	38.79%
2016	526,853	(2015)	0.322	43.82%
2017	597,300	(2016)	0.253	39.83%
2018	759,945	(2017)	0.258	40.64%
2019	726,892	(2018)	0.264	39.46%
2020(a)	697,307	(2019)	0.237	34.34%
2021(a)(b)	296,673	(2020)	0.086	13.75%

Source: City's audited financial statements.

(a) See "INFECTIOUS DISEASE OUTBREAK – COVID-19" for a discussion on the Pandemic's potential impact to the City's finances.

(b) Collections as of April 30, 2021.

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SELECTED FINANCIAL DATA

Historical Operations of the City's General Fund

The following is a condensed statement of revenues and expenses of the City's General Fund for the past five fiscal years.

TABLE 13 - HISTORICAL OPERATIONS OF THE CITY'S GENERAL FUND

	Fiscal Year Ended September 30,				
	2021 (a)(b)	2020 (b)	2019	2018	2017
REVENUES					
Taxes:					
Property Taxes	$1,710,307	$1,679,145	$1,683,122	$1,552,047	$1,417,038
Sales Taxes (c)	237,440	557,846	726,892	759,945	597,300
Franchise Fees	131,480	193,929	197,293	189,135	185,077
Revenue Producing Facilities	1,587	---	10,092	15,352	9,643
Fines and Fees	56,278	65,290	100,872	129,609	205,594
Licenses and Permits	54,028	95,320	104,774	86,684	58,255
Inspection Fees	17,685	---	30,428	---	---
Investment Earning	1,020	10,663	38,937	15,922	9,165
Intergovernmental	10,966	74,850	238,584	24,097	116,182
Miscellaneous	9,087	34,116	135,040	95,859	72,515
Total Revenues	$2,229,878	$2,711,159	$3,266,034	$2,868,650	$2,670,769
EXPENDITURES					
Current:					
General Administration	$ 498,032	$ 822,449	$ 804,357	$ 612,275	$ 518,771
Judicial	50,000	68,658	83,476	132,894	134,793
Public Safety	757,316	1,301,573	1,345,316	1,287,320	1,229,034
Public Works	112,261	256,658	310,502	242,320	243,998
Parks and Recreation	34,071	41,993	42,227	45,923	41,973
Capital Outlay	---	---	125,902	559,967	349,946
Debt Service	75,592	59,378	66,847	33,886	31,674
Total Expenditures	$1,527,272	$2,550,709	$2,778,627	$2,914,585	$2,550,189
Excess of Revenues Over Expenditures	$ 702,606	$ 160,450	$ 487,407	$ (45,935)	$ 120,580
Other Financing Sources (Uses):					
Transfer in	$ ---	$ 800	$ 104,410	$ 86,871	$ ---
Transfer out	(317,000)	(256,247)	(330,421)	(83,936) (d)	---
Sale of Capital Assets	---	---	---	7,538	1,700
Other Financing Sources	---	---	---	375,690	118,493
Total Other Financing Sources	$ (317,000)	$ (255,447)	$ (226,011)	$ 386,163	$ 120,193
Net Changes in Fund Balances	$ 385,606	$ (94,997)	$ 261,396	$ 340,228	$ 240,773
Fund Balances – Beginning (Restated)	$1,768,340	$1,863,337	$1,774,425	$1,434,197 (e)	$1,512,078
Fund Balances - Ending	$2,153,946	$1,768,340	$2,035,821	$1,774,425	$1,752,851

(a) Unaudited, as of May 1, 2021.
(b) See "INFECTIOUS DISEASE OUTBREAK – COVID-19" for a discussion on the Pandemic's potential impact to the City's finances.
(c) Beginning in Fiscal Year Ending 2020, the City's sales taxes collected for streets, maintenance and repairs were reported as a Special Revenue Fund in the Nonmajor Governmental Fund.
(d) This amount represents budgeted transfers from the City's General Fund for the following purposes: contingency fund, capital projects, equipment replacement, beautification, and water and sewer costs.
(e) Represents a reclassification of Other Post-Employment Benefits liability between governmental and business-type activities.

Source: City's audited financial statements and City records.

General Fund and Debt Service Fund Balance for the Past Five Fiscal Years

TABLE 14 - GENERAL FUND AND DEBT SERVICE FUND BALANCE FOR THE PAST FIVE FISCAL YEARS

	Fiscal Year Ended September 30,				
	2021 (a)(b)	2020 (b)	2019	2018	2017
General Fund	$2,153,946	$1,768,340	$2,035,821	$1,774,425	$1,752,851
Debt Service Fund	$ 371,937	$ 83,506	$ 109,424	$ 108,629	$ 106,860

(a) Unaudited, as of May 1, 2021.

(b) See "INFECTIOUS DISEASE OUTBREAK – COVID-19" for a discussion on the Pandemic's potential impact to the City's finances.

Source: City's audited financial statements and City records.

Pension Fund

The City participates in the Texas Municipal Retirement System (TMRS), an agency operated by the State of Texas. Employees of the City who participate in TMRS were required to contribute 5%, of their annual gross pay during the fiscal year and the City contributed 11.05% for the months in 2019 and 11.09% for the months in 2020. As employees leave municipal employment other than through retirement, they may withdraw from TMRS those funds they contributed, but forfeit their employer's contributions. Each municipal employer's requirements for current contributions are offset by the amounts of such forfeitures.

The City currently employs 24 full-time employees and 2 part-time and seasonal employees. All full-time employees are covered by TMRS and the City's contribution for fiscal year 2020 amounted to approximately $159,216, and was equal to the required contributions. See "APPENDIX B – Note G" for additional information regarding the City's employee retirement system.

Financial Statements

A copy of the City's Financial Statements for the fiscal year ended September 30, 2020, is attached hereto in the APPENDIX B. Copies of such statements for preceding years are available, for a fee, upon request.

ADMINISTRATION OF THE CITY

The City operates under a Mayor/Council form of government with a City Council comprised of the Mayor and five Councilmembers. The terms of office are two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The Mayor is the chief executive officer for the City. The Mayor and Councilmembers are described below:

City Council	Period Served	Term Expires May	Occupation
Steve Boykin Mayor	2 Years	2023	Retired
Mike Johnson Position No. 1	3 Years (a)	2022	Business Management
Melissa Strawn Position No. 2	2 Years	2023	Retail Business Owner
Matt Yarborough Position No. 3	2 Years	2023	Health & Safety Manager
Rory Escalante Position No. 4	> 1 Year (a)	2022	Vice President, Business Analytics and Data Strategy
Mark Brown, II Position No. 5	(b)	2022	Research and Development

(a) Due to the Pandemic, as defined herein, the City's May 2020 City Council election was postponed until November 3, 2020.

(b) Councilmember Brown was appointed to the Council to fill a vacancy on an unexpired term. Councilmember Brown has previously served one term (3 years) on Council.

Administration

Members of the administrative staff are described below:

Name	Position	Length of Service (a)
Eric Foerster	City Manager	1.5 Years
Kirsten Garcia	City Secretary	3.5 Years (b)
Patricia Ditto	Finance Director	1 Year

(a) Reflects the total number of years worked for the City.
(b) Ms. Garcia previously served in the City's municipal court and in October of 2019 was promoted the position of City Secretary.

Consultants

The City has retained several consultants to perform professional services in connection with the independent auditing of its books and records and other City activities. Several of these consultants are identified below:

Bond Counsel .... Norton Rose Fulbright US LLP
Houston, Texas

Auditor .... Pattillo, Brown & Hill, L.L.P.
Waco, Texas

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

LEGAL MATTERS

Legal Opinions

The delivery of the Bonds is subject to the approving opinions of the Attorney General of Texas to the effect that the Bonds are valid and legally binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City and, the approving legal opinion of Norton Rose Fulbright US LLP, Houston, Texas, Bond Counsel to the City ("Bond Counsel"), in substantially the form attached as APPENDIX C. In connection with the issuance of the Bonds, Bond Counsel has represented only the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "SALE AND DISTRIBUTION OF THE BONDS – Securities Laws" (first paragraph only), "THE BONDS" (except the subcaptions "Book-Entry-Only System," "Use of Proceeds," "Sources and Uses of Funds," "Future Debt," and "Remedies of Holders of the Bonds"), "TAX DATA – Tax Rate Limitations," "LEGAL MATTERS – Legal Opinions," "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance with Prior Undertakings") and is of the opinion that such information fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The legal opinions to be delivered concurrently with the delivery of the Bonds 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 the expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction. Certain legal matters will be passed upon for the Underwriter by their counsel, Holland & Knight LLP, Houston, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Bonds.

No-Litigation Certificate

The City will furnish to the Underwriter a certificate dated as of the Delivery Date, executed by the appropriate officials of the City, to the effect that no litigation is pending or, to their knowledge, threatened in any court to restrain or enjoin the issuance or delivery of the Bonds, or the levy, collection or application of the ad valorem taxes or revenues pledged or to be pledged to pay the principal of and interest on the Bonds, or the pledge thereof, or in any way contesting or affecting the validity of the Bonds, the Ordinance authorizing the issuance, sale and delivery of the Bonds, or contesting the powers of the City or the authorization of the Bonds or the Ordinance.

TAX MATTERS

Tax Exemption

The delivery of the Bonds is subject to the opinions of Bond Counsel to the effect that interest on the Bonds for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinions (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. Forms of Bond Counsel's opinions are reproduced as Appendix C. The statutes, regulations, rulings, and court decisions on which such opinions are based are subject to change.

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

Bond Counsel’s opinions are not a guarantee of a result, but represent its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinions of Bond Counsel, and Bond Counsel’s opinions are not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Bonds is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the City may have different or conflicting interests from the owners of the Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

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

Tax Accounting Treatment of Discount and Premium on Certain Bonds

The initial public offering price of certain Bonds (the "Discount Bonds") may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Discount Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. A portion of such original issue discount allocable to the holding period of such Discount Bond by the initial purchaser will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Bonds described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Bond, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Bond and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

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

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

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

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rule Making Board ("MSRB"). Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide annually to the Municipal Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA"), within six months after the end of each fiscal year, financial information and operating data with respect to the City of the general type included in the Official Statement provided to the purchasers in connection with its initial approval of its purchase of the Bonds, being the information in Tables 1-5 and 7-14, and as described in Appendix B hereto. Any financial statements so to be provided will be (1) prepared in accordance with the accounting principles set forth in Appendix B to the Official Statement, or as may otherwise hereafter be established consistent with Texas law and Generally Accepted Accounting Principles, and (2) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If audited financial statements are not so provided, then the City will provide audited financial statements for the applicable fiscal year to the MSRB through EMMA, when and if audited financial statements become available but if such audited financial statements are unavailable the City will provide such financial statements on an unaudited basis within the above-described six-month period.

If the City changes its fiscal year, it will notify the MSRB through EMMA of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

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 from the MSRB) that theretofore has been provided to the MSRB through EMMA or filed with the United States Securities and Exchange Commission (the "SEC"), or may be provided in any other manner consistent with the SEC Rule 15c2-12 (the "Rule").

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the 2018A Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional 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 any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. *"Financial Obligation"* in the immediately proceeding paragraphs (15) and (16) means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

Limitations and Amendments

The City will be obligated to observe and perform its continuing disclosure covenants while it remains the "obligated person" with respect to the Bonds within the meaning of the Rule, except that the City in any event will give the notice of any bond calls and defeasance that cause the City to be no longer such an "obligated person."

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

UNDER NO CIRCUMSTANCES WILL THE CITY BE LIABLE TO THE REGISTERED OWNER OR BENEFICIAL OWNER OF ANY BOND ANY OTHER PERSON, IN CONTRACT OR TORT, FOR DAMAGES RESULTING IN WHOLE OR IN PART FROM ANY BREACH BY THE CITY, WHETHER NEGLIGENT OR WITHOUT FAULT ON ITS PART, OF ANY COVENANT SPECIFIED IN THE ORDINANCE, BUT EVERY RIGHT AND REMEDY OF ANY SUCH PERSON, IN CONTRACT OR TORT, FOR OR ON ACCOUNT OF ANY SUCH BREACH WILL BE LIMITED TO AN ACTION FOR MANDAMUS OR SPECIFIC PERFORMANCE.

No default by the City in observing or performing its obligations under its undertaking will constitute a breach of or default under the Ordinance for purposes of any other provisions of the Ordinance.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances resulting 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 Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the Outstanding Bonds 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 interests of the registered owners and beneficial owners of the Bonds. The City may also amend or repeal the provisions if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but in either case only to the extent that its right to do so would not prevent the Underwriter from lawfully purchasing the Bonds.

Compliance With Prior Undertakings

During the last five years, the City has not failed to comply in any material respect with any continuing disclosure agreement made by the City in accordance with the Rule.

SEVERE WEATHER EVENTS

The City is located approximately 8 miles from the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. If a hurricane (or any other natural disaster) significantly damaged all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, with a corresponding decrease in tax revenues and the necessity to increase the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry insurance), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period during which assessed values within the City would be adversely affected and, therefore, the City's ability to pay its obligations, including the Bonds, could be adversely impacted.

INFECTIOUS DISEASE OUTBREAK – COVID-19

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which 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 in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas, which declaration has been continued on a monthly basis.

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. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement. In addition to the actions by the state and federal officials, certain local officials have declared a local state of disaster. Many of the federal, state and local actions and policies under the aforementioned disaster declarations are focused on limiting instances where the public can congregate or interact with each other, which negatively affects the operation of businesses and the state and national economies.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. See "APPENDIX A - GENERAL INFORMATION REGARDING THE CITY OF RICHWOOD, TEXAS - Employment Statistics."

While the potential impact of COVID-19 on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition and its ratings (see "SALE AND DISTRIBUTION OF THE BONDS – Municipal Bond Ratings"). The financial and operating data contained herein is as of dates and for the periods noted. Some of such information addresses time periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, such information may not be indicative of the economic impact of the Pandemic on the City's financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

Recent declines in oil prices in the United States and globally may lead to adverse conditions in the oil and gas industry. Such adverse conditions may result in reduced revenues, declines in capital and operating expenditures, business failures, and the layoff of workers within the oil and gas industry. In the past, the greater Houston area has been affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses in the City, resulting in reduced System revenues.

FINANCIAL ADVISOR

BOK Financial Securities, Inc. is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

GENERAL CONSIDERATIONS

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. The summaries of the statutes, orders, ordinances and other related documents are included herein subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

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

The report of Pattillo, Brown & Hill, L.L.P., Waco, Texas, relating to the City's audited financial statements for the fiscal year ended September 30, 2020 is included in this Official Statement in APPENDIX B; however, Pattillo, Brown & Hill, L.L.P. 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

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

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

Updating of Official Statement

The City will keep the Official Statement current by amendment or sticker to reflect material changes in the affairs of the City and, to the extent that information comes to its attention, in the other matters described in the Official Statement, until the delivery of the Bonds to the Underwriter.

This Official Statement was duly authorized and approved by the City Council of the City of Richwood, Texas as of the date specified on the first page hereof.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY OF RICHWOOD

The following information has been derived from various sources, including the U.S. Census data, Texas Workforce Commission, and City of Richwood, Texas officials. While such sources are believed to be reliable, no representation is made as to the accuracy thereof.

RESIDENTIAL AND COMMERCIAL DEVELOPMENT

The City is located within the Brazosport area, which is a multi-city community located on the Texas Gulf Coast at the mouth of the Brazos and San Bernard rivers. Approximately 50 miles south of Houston, the Brazosport area is comprised of eight cities: Clute, Freeport, Jones Creek, Lake Jackson, Oyster Creek, Quintana, Richwood, and Surfside Beach. Brazosport is the home of the largest basic chemical complex in the world which includes chemical manufacturing, petro-chemical processing, varied other manufacturing, offshore extraction support complexes, deep-water port activities, airport, tourism, sports and commercial fishing.

ECONOMIC AND GROWTH INDICATORS

U.S. Census of Population

	Brazoria County	
	Number	% Change
1930	23,054	+11.84
1940	27,069	+17.42
1950	46,549	+71.96
1960	76,204	+63.71
1970	108,312	+42.13
1980	169,587	+56.57
1990	191,707	+13.04
2000	241,767	+26.11
2010	313,166	+29.53
2020(a)	381,580	+21.85

Source: U.S. Census Bureau and estimates from the City.
(a) Estimated.

Employment Statistics

Brazoria County

	2021 (a)(b)	2020 (b)	2019	2018	2017
Labor Force	178,297	177,709	179,690	176,525	173,264
Employed	165,796	162,442	172,115	168,471	164,010
Unemployed	12,501	15,267	7,575	8,054	9,254
Unemployment Rate	7.0%	8.6%	4.2%	4.6%	5.3%

(a) As of May 2021.
(b) See "INFECTIOUS DISEASE OUTBREAK – COVID-19" for a discussion on the Pandemic's potential impact to the City's labor statistics in Brazoria County.

Employment Statistics
Source: Texas Workforce Commission

APPENDIX B

AUDITED FINANCIAL STATEMENTS OF THE CITY

ANNUAL FINANCIAL REPORT

CITY OF RICHWOOD, TEXAS

FOR THE FISCAL YEAR ENDED
SEPTEMBER 30, 2020

FINANCIAL SECTION

PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and
Members of the City Council
City of Richwood, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension and OPEB information 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 Richwood, Texas' basic financial statements. The combining and individual nonmajor fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2021, on our consideration of the City of Richwood, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richwood, Texas' internal control over financial reporting and compliance.

Pattillo, Brown & Hill, L.L.P.

Waco, Texas
March 8, 2021

MANAGEMENT'S
DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Richwood (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

Financial Highlights

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $14,632,219 (net position). Of this amount, $1,795,672 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designation.

- The City's total net position increased by $228,270, primarily caused by increases to property tax revenue and decreases in the City's annual pension expense.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,903,618. 35.75% of this total amount, $1,753,091 (unassigned fund balance) is available for use at the City's discretion.

- At the end of the current fiscal year, unassigned fund balance for the general fund was $1,753,091 or 68.73% of the total general fund expenditures. Sound financial management practices call for at least 25% of unassigned fund balance to general fund expenditures.

- The City reported net pension liability of $611,030 and a total OPEB liability of $83,041, at September 30, 2020. Although the OPEB liability increased slightly, overall the liabilities decreased due to a significant decrease in the TMRS Net Pension Liability.

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 s*tatement of net position* presents information on all of the City's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference being 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 s*tatement 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 the future fiscal periods (e.g., uncollected taxes).

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 administration, public safety, public works, and parks and recreation. The *business-type activities* of the City include water and sewer and sanitation operations. The government-wide financial statements can be found on pages 8 through 11 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, 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 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 eight (8) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, the Debt Service Fund and the 2019A Bond Construction Fund, all of which are considered to be major funds. Data from the other five (5) governmental funds are combined into a single aggregation presentation. The governmental fund financial statements can be found on pages 12 through 16 of this report.

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer, and sanitation operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 18 through 20 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21 through 45 of this report.

Required supplementary information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, the Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - General Fund, and information concerning the City's net pension and total OPEB liability. Required supplementary information can be found on pages 84 and 90 of this report.

Combining and individual fund statements and schedules are presented following the required supplementary information. These statements and schedules can be found on pages 55 through 62 of this report.

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $14,632,219 as of September 30, 2020.

The largest portion of the City's net position, $12,233,710 (83.61%) reflects its investments in capital assets (e.g., land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently these assets are not available for future spending. Although the City's investment in 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.

An additional portion of the City's net position of $602,837 (4.12%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of $1,795,672 (12.27%) may be used to meet the government's ongoing obligations to citizens and creditors.

As of September 30, 2020, the City was able to report positive balances in all three categories of net position for both governmental activities and business-type activities. The following table shows the condensed Statement of Net Position for the City for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 5,364,503	$ 5,649,833	$ 4,404,429	$ 4,729,862	$ 9,768,932	$ 10,379,695
Capital assets	9,216,823	9,123,340	6,487,717	6,579,536	15,704,540	15,702,876
Total assets	14,581,326	14,773,173	10,892,146	11,309,398	25,473,472	26,082,571
Deferred outflows of resources	176,803	247,717	29,624	60,944	206,427	308,661
Long-term liabilities outstanding	5,159,023	5,554,306	5,125,076	5,782,802	10,284,099	11,337,108
Other liabilities	364,401	188,990	268,904	349,128	633,305	538,118
Total liabilities	5,523,424	5,743,296	5,393,980	6,131,930	10,917,404	11,875,226
Deferred inflows of resources	104,880	12,333	25,396	2,305	130,276	14,638
Net position:						
Net investment, in capital assets	7,201,320	7,252,291	5,032,390	1,398,660	12,233,710	8,650,951
Restricted	602,837	777,443	-	3,946,213	602,837	4,723,656
Unrestricted	1,325,668	1,235,527	470,004	(108,766)	1,795,672	1,126,761
Total net position	$ 9,129,825	$ 9,265,261	$ 5,502,394	$ 5,236,107	$ 14,632,219	$ 14,501,368

Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2020. Governmental activities increased the City's net position by $37,048. Business-type activities increased the City's net position by $191,222. The following table shows the condensed Statement of Activities for the current and prior fiscal years:

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 344,078	$ 445,950	$ 2,209,214	$ 2,093,316	$ 2,553,292	$ 2,539,266
Operating grants and contributions	88,532	238,584	-	-	88,532	238,584
Capital grants and contributions	-	-	-	16,950	-	16,950
General revenues:						
Property taxes	2,032,735	1,854,091	-	-	2,032,735	1,854,091
Sales taxes	697,307	726,892	-	-	697,307	726,892
Franchise taxes	193,929	197,293	-	-	193,929	197,293
Investment income	46,740	47,899	50,882	23,064	97,622	70,963
Miscellaneous	414	147,181	38,986	-	39,400	147,181
Total revenues	3,403,735	3,657,890	2,299,082	2,133,330	5,702,817	5,791,220
Expenses:						
General government	913,729	1,008,514	-	-	913,729	1,008,514
Judicial	79,391	86,017	-	-	79,391	86,017
Public safety	1,447,851	1,361,142	-	-	1,447,851	1,361,142
Public works	644,720	585,024	-	-	644,720	585,024
Culture and recreation	62,259	59,276	-	-	62,259	59,276
Interest on long-term debt	160,050	167,976	-	197,983	160,050	365,959
Water, sewer, and sanitation	-	-	2,166,547	1,985,604	2,166,547	1,985,604
Total expenses	3,308,000	3,267,949	2,166,547	2,183,587	5,474,547	5,451,536
Increases in net position before transfers and extraordinary item (expense)	95,735	389,941	132,535	(50,257)	228,270	339,684
Transfers	(58,687)	(200,585)	58,687	200,585	-	-
Increase (decrease) in net position	37,048	189,356	191,222	150,328	228,270	339,684
Net position, beginning	9,265,261	9,075,905	5,236,107	5,085,779	14,501,368	14,161,684
Prior period adjustment	(172,484)	-	75,065	-	(97,419)	-
Net position, ending	$ 9,129,825	$ 9,265,261	$ 5,502,394	$ 5,236,107	$ 14,632,219	$ 14,501,368

Financial Analysis of the City's Funds

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

Governmental funds. The focus of the City'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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported ending fund balances of $4,903,618. $1,753,091 (35.75%) of this total amount constitutes unassigned fund balance. The remainder of the fund balance is either non-spendable, restricted or committed to indicate that it is not available for new spending. The most significant restrictions include $83,506 for debt service, $488,245 restricted for street maintenance/transportation projects, and $2,509,671 restricted for capital projects from the 2019A bond issuance.

The General Fund is the primary operating fund of the City. The General Fund's fund balance decreased by $94,997; although the General Fund's revenues exceeded its expenditures, fund balance decreased because of a planned transfer to the Transportation Fund, a nonmajor governmental fund. This transfer of $157,000 represented the net revenue over expense related to the ¼ cent of sales tax earmarked for street improvement projects, netted against the costs paid for by the General Fund over the past several years. In future years, those activities will be accounted for exclusively in the transportation fund. The excess of revenues over expenditures was primarily due to increases in property tax revenues.

The Debt Service Fund's fund balance decreased by $25,918, primarily due to the City's debt service payments increasing from the issuance of the 2019A GO Bonds. An increase in the debt service property tax rate covered most of the increased cost, and management will consider the need for additional tax revenues to cover future debt service.

The 2019A Bond Construction Fund fund balance decreased by $452,902 due to planned project costs related to the 2019A bond proceeds from prior year. Fund balances are expected to continue decreasing as project costs are incurred.

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

At September 30, 2020 the proprietary fund had $470,004 in unrestricted net position and total net position increased by $191,222. The increase in net position was largely due to increases in charges for services revenue from increased demand for services and a slight rate increase; additionally, the City had costs savings across its operations from the closures related to the COVID-19 pandemic. Certain scheduled maintenance that was delayed will occur in future years.

General Fund Budgetary Highlights. Actual revenues exceeded budget by $82,749 mainly due to increases in property tax and sales tax revenues that outstripped decreases in other demand-based revenues that were affected by the COVID-19 pandemic. Expenditures budget exceeded the actual expenditures by $177,423 primarily due to spending control on general administration.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, was $15,704,540 (net of accumulated depreciation). This investment in capital assets includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress.

Capital Assets at Year-end, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	$ 335,262	$ 335,262	$ 122,580	$ 122,580	$ 457,842	$ 457,842
Buildings	1,523,029	1,571,467	63,140	67,734	1,586,169	1,639,201
Furniture, equipment, and vehicles	694,613	856,491	75,138	79,953	769,751	936,444
Infrastructure	6,076,431	6,285,237	5,815,286	6,087,294	11,891,717	12,372,531
Construction in progress	587,488	74,883	411,573	221,975	999,061	296,858
Total	$ 9,216,823	$ 9,123,340	$ 6,487,717	$ 6,579,536	$ 15,704,540	$ 15,702,876

Significant events related to capital assets during the year were primarily related to the bond-funded projects started in 2019. In the governmental activities, project costs of approximately $495,000 were completed on the Oakwood Shores subdivision streets using the proceeds of the 2019A GO Bonds, as planned; in the business-type activities, initial project costs on the North Water Plant project amounted to an increase in construction in progress of $190,000.

Additional information on the City's capital assets can be found in the notes to the financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term debt of $9,590,028. This represents a decrease of $884,452 from the prior year due to scheduled payments on existing debt. The City did not issue any new debt during Fiscal Year 2020.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Certificates of obligation	$ 745,000	$ 795,000	$ 675,000	$ 740,000	$ 1,420,000	$ 1,535,000
General obligation bonds	2,945,000	3,105,000	3,730,000	3,750,000	6,675,000	6,855,000
Notes	221,359	260,284	-	456,721	221,359	717,005
Capital leases	328,006	347,067	268,168	328,964	596,174	676,031
Premium on bonds	285,809	301,801	349,797	361,912	635,606	663,713
Compensated Absences	36,233	23,999	5,656	3,732	41,889	27,731
Total	$ 4,561,407	$ 4,833,151	$ 5,028,621	$ 5,641,329	$ 9,590,028	$ 10,474,480

All of the outstanding Bonds of the City payable from its limited taxes are insured and are, therefore, rated "Aaa" by Moody's Investors Service Inc ("Moody's"), and "AAA" by Standard & Poor's ("S&P"). The underlying rating on all of such Bonds and other obligations payable from such source are "A1" by Moody's and "A+" by S&P.

Additional information on the City's long-term debt can be found in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

In the FY 2020-2021 Budget, General Fund revenues are budgeted to decrease by $ 50,091, or 1.8%, from the 2019-2020 budget year due to decreases in revenue sources affected by the COVID-19 pandemic, such as permits and court fines.

Certified assessed valuation increased by 14.45% over the preceding year. Net property tax, taxes after payments for 380 Agreements will increase by $137,316, or approximately 7%.

The Enterprise Fund's 2020-2021 budgeted expenses are expected to decrease by 11.27% over the preceding year's budget. Water and Sewer rates were increased in the 2019-2020 fiscal year and will remain the same in fiscal year 2020-2021.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Secretary, 1800 N. Brazosport Blvd, Richwood, Texas, 77531, or call (979) 265-2082.

BASIC
FINANCIAL STATEMENTS

CITY OF RICHWOOD, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Crime Control & Prevention District
ASSETS				
Cash and cash equivalents	$ 4,751,244	$ 298,951	$ 5,050,195	$ 168,162
Investments	330,785	185,787	516,572	-
Receivables (net of allowances for uncollectibles):				
Taxes	159,275	-	159,275	22,962
Accounts	119,243	353,082	472,325	-
Other	-	969	969	-
Accrued interest	1,267	142	1,409	141
Internal balances	2,140	(2,140)	-	-
Due from other governments	5	-	5	-
Due from component unit	544	-	544	-
Restricted assets:				
Cash and cash equivalents	-	3,567,478	3,567,478	-
Accrued interest receivable	-	160	160	-
Capital assets (net of accumulated depreciation):				
Non-depreciable	922,750	534,153	1,456,903	-
Depreciable	8,294,073	5,953,564	14,247,637	-
Total assets	14,581,326	10,892,146	25,473,472	191,265
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to TMRS pension	143,179	27,274	170,453	-
Deferred outflow related to TESRS pension	20,163	-	20,163	-
Deferred outflow related to OPEB	13,461	2,350	15,811	-
Total deferred outflows of resources	176,803	29,624	206,427	-
LIABILITIES				
Accounts payable	298,666	140,173	438,839	4,230
Accrued liabilities	35,656	-	35,656	-
Due to primary government	-	-	-	544
Accrued interest payable	27,492	32,755	60,247	-
Unearned revenue	2,587	-	2,587	-
Customer deposits	-	95,976	95,976	-
Noncurrent liabilities:				
Due within one year:				
Long-term debt	299,551	179,612	479,163	-
Due in more than one year:				-
Long-term debt	4,261,856	4,849,009	9,110,865	-
Net pension liability - TMRS	457,951	83,632	541,583	-
Net pension liability - TESRS	69,447	-	69,447	-
Total OPEB liability	70,218	12,823	83,041	-
Total liabilities	5,523,424	5,393,980	10,917,404	4,774

CITY OF RICHWOOD, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		Primary Government	Component Unit
	Governmental Activities	Business-type Activities	Total	Crime Control & Prevention District
DEFERRED INFLOWS OF RESOURCES				
Deferred resource inflow related to TMRS pension	100,752	24,657	125,409	-
Deferred resource inflow related to TESRS pension	84	-	84	-
Deferred resource inflow related to OPEB	4,044	739	4,783	-
Total deferred inflows of resources	$ 104,880	$ 25,396	$ 130,276	$ -
NET POSITION				
Net investment in capital assets	$ 7,201,320	$ 5,032,390	$ 12,233,710	$ -
Restricted:				
Public Safety	1,023	-	1,023	186,491
Debt service	59,120	-	59,120	-
Transportation	488,245	-	488,245	-
Beautification	26,740	-	26,740	-
Court security and technology	27,116	-	27,116	-
Police training	593	-	593	-
Unrestricted	1,325,668	470,004	1,795,672	-
Total net position	$ 9,129,825	$ 5,502,394	$ 14,632,219	$ 186,491

The accompanying notes are an integral part of these financial statements.

CITY OF RICHWOOD, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Program Revenue		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental activities:				
General government	$ 913,729	$ 127,304	$ 48,412	$ -
Judicial	79,391	83,277	-	-
Public safety	1,447,851	80	26,438	-
Public works	644,720	131,285	-	-
Culture and recreation	62,259	2,132	13,682	-
Interest and charges on long-term debt	160,050	-	-	-
Total governmental activities	3,308,000	344,078	88,532	-
Business-type activities:				
Water, sewer, and sanitation	2,166,547	2,209,214	-	-
Total Business-type activities	2,166,547	2,209,214	-	-
Total primary government	$ 5,474,547	$ 2,553,292	$ 88,532	-
Component unit:				
Crime Control & Prevention District	$ 124,849	$ -	$ -	-

General revenues:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales taxes
Franchise taxes
Miscellaneous
Investment earnings
Transfers
Total general revenues and transfers
Change in net position
Net position -- beginning
Prior period adjustment
Net position -- ending

The accompanying notes are an integral part of these financial statements.

Governmental Activities	Business-Type Activities	Total	Crime Control & Prevention District
Net (Expense) Revenue and Changes in Net Position — Primary Government			Component Unit
$(738,013)	$ -	$(738,013)	$ -
3,886	-	3,886	-
(1,421,333)	-	(1,421,333)	-
(513,435)	-	(513,435)	-
(46,445)	-	(46,445)	-
(160,050)	-	(160,050)	-
(2,875,390)	-	(2,875,390)	-
-	42,667	42,667	-
-	42,667	42,667	-
$(2,875,390)	$ 42,667	$(2,832,723)	$ -
$ -	$ -	$ -	$(124,849)
$ 1,676,815	$ -	$ 1,676,815	$ -
355,920	-	355,920	-
697,307	-	697,307	138,250
193,929	-	193,929	-
414	38,986	39,400	-
46,740	50,882	97,622	606
(58,687)	58,687	-	-
2,912,438	148,555	3,060,993	138,856
37,048	191,222	228,270	14,007
9,265,261	5,236,107	14,501,368	-
(172,484)	75,065	(97,419)	172,484
$ 9,129,825	$ 5,502,394	$ 14,632,219	$ 186,491

CITY OF RICHWOOD, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
ASSETS		
Cash and cash equivalents	$ 1,513,123	$ -
Investments	245,514	85,271
Receivables (net of allowance for uncollectibles):		
Taxes	132,495	3,685
Accounts	101,916	-
Accrued interest	584	164
Due from other governments	-	5
Due from other funds	4,653	-
Due from component unit	544	-
Total assets	1,998,829	89,125
LIABILITIES		
Accounts payable	71,376	-
Accrued liabilities	35,656	-
Due to other funds	-	2,513
Unearned revenue	2,587	-
Total liabilities	109,619	2,513
DEFERRED INFLOWS OF RESOURCES		
Unavailable revenue - property taxes	21,070	3,106
Unavailable revenue - municipal court fines	99,800	-
Total deferred inflows of resources	120,870	3,106
FUND BALANCES		
Restricted for:		
Debt service	-	83,506
Court security and technology	-	-
Police training	593	-
Seizure and forfeiture	1,023	-
Beautification	-	-
Transportation	-	-
Capital construction	-	-
Committed for:		
Insurance	13,633	-
Unassigned	1,753,091	-
Total fund balances	1,768,340	83,506
Total liabilities, deferred inflows, and fund balances	$ 1,998,829	$ 89,125

The accompanying notes are an integral part of these financial statements.

2019A Bond Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ 2,702,754	$ 535,367	$ 4,751,244
-	-	330,785
-	23,095	159,275
-	17,327	119,243
-	519	1,267
-	-	5
-	-	4,653
-	-	544
2,702,754	576,308	5,367,016
193,083	34,207	298,666
-	-	35,656
-	-	2,513
-	-	2,587
193,083	34,207	339,422
-	-	24,176
-	-	99,800
-	-	123,976
-	-	83,506
-	27,116	27,116
-	-	593
-	-	1,023
-	26,740	26,740
-	488,245	488,245
2,509,671	-	2,509,671
-	-	13,633
-	-	1,753,091
2,509,671	542,101	4,903,618
$ 2,702,754	$ 576,308	$ 5,367,016

CITY OF RICHWOOD, TEXAS

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

SEPTEMBER 30, 2020

Total fund balances - governmental funds		$ 4,903,618
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		9,216,823
Revenue reported as unavailable revenue in the governmental fund financial statements was recorded as revenue in the government-wide financial statements		
Property taxes		24,176
Municipal Court Fines		99,800
Interest is accrued on outstanding debt in the government-wide financial statements, whereas in the governmental fund financial statements, an expenditure is reported when due.		(27,492)
Certain long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Also, the loss on refunding of bonds, the premium on issuance of bonds and deferred resource outflows (inflows) related to the net pension liability are not reported in the funds.		
Bonds payable	(3,690,000)	
Premiums and discounts on bonds payable	(285,809)	
Notes payable	(549,365)	
Compensated absences	(36,233)	
Net pension liability	(527,398)	
Net other post-employment benefit liability	(70,218)	
Deferred outflows and inflows related to pension	62,506	
Deferred outflows and inflows related to other post-employment benefit	9,417	
		(5,087,100)
Net position of governmental activities		$ 9,129,825

The accompanying notes are an integral part of these financial statements.

CITY OF RICHWOOD, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund
REVENUES		
Property taxes	$ 1,679,145	$ 355,423
Sales taxes	557,846	-
Franchise taxes	193,929	-
Licenses and permits	95,320	-
Intergovernmental revenues	74,850	-
Charges for services	34,116	-
Fines and forfeitures	65,290	-
Contributions	-	-
Investments earnings	10,663	1,088
Miscellaneous	-	-
Total revenues	2,711,159	356,511
EXPENDITURES		
Current:		
General government	822,449	-
Judicial	68,658	-
Public safety	1,301,573	-
Public works	256,658	-
Culture and recreation	41,993	-
Capital outlay	-	-
Debt service:		
Principal	45,003	222,984
Interest	14,375	159,445
Total expenditures	2,550,709	382,429
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	160,450	(25,918)
OTHER FINANCING SOURCES (USES)		
Transfers in	800	-
Transfers out	(256,247)	-
Total other financing sources (uses)	(255,447)	-
NET CHANGE IN FUND BALANCE	(94,997)	(25,918)
FUND BALANCE - BEGINNING	2,035,821	109,424
PRIOR PERIOD ADJUSTMENT	(172,484)	-
FUND BALANCE - ENDING	$ 1,768,340	$ 83,506

The accompanying notes are an integral
part of these financial statements.

2019A Bond Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ -	$ 2,034,568
-	139,461	697,307
-	-	193,929
-	-	95,320
-	-	74,850
-	131,285	165,401
-	7,869	73,159
-	13,682	13,682
34,286	703	46,740
-	414	414
34,286	293,414	3,395,370
-	-	822,449
-	10,200	78,858
-	-	1,301,573
-	171,792	428,450
-	20,266	62,259
495,687	-	495,687
-	-	267,987
-	-	173,820
495,687	202,258	3,631,083
(461,401)	91,156	(235,713)
8,499	189,061	198,360
-	(800)	(257,047)
8,499	188,261	(58,687)
(452,902)	279,417	(294,400)
2,962,573	262,684	5,370,502
-	-	(172,484)
$ 2,509,671	$ 542,101	$ 4,903,618

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds:	$(294,400)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital outlays for the fiscal year.	512,605
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(419,122)
Current year long-term debt principal payments on contractual obligations, bonds payable and capital leases are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	267,986
Current year changes in accrued interest payable do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(2,222)
Premiums, discounts and deferred losses on refunding are recognized in the fund financial statements as other and shown as an increase in financial resources. In the government-wide financial statements, the gain or loss is calculated and reported.	15,992
Current year changes in long-term liabilities for compensated absences do not require the use of current financial resources; therefore, they are not reported as expenditures in governmental funds.	(36,233)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the fund financial statements.	8,365
Certain pension and other post-employment (OPEB) expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows and inflows. These items relate to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows and inflows related to the pension and OPEB liabilities were amortized.	(15,923)
Change in net position - statement of activities	$ 37,048

The accompanying notes are an integral part of these financial statements.

CITY OF RICHWOOD, TEXAS

STATEMENT OF NET POSITION - PROPRIETARY FUND

SEPTEMBER 30, 2020

	Business-Type Activities Water, Sewer, and Sanitation
ASSETS	
Current assets:	
Cash and cash equivalents	$ 298,951
Investments	185,787
Receivables (net of allowances for uncollectibles):	
Accounts	353,082
Other	969
Accrued interest receivable	142
Restricted assets:	
Cash and cash equivalents	3,567,478
Accrued interest receivable	160
Total current assets	4,406,569
Noncurrent assets:	
Capital assets (net of accumulated depreciation):	
Non-depreciable	534,153
Depreciable	5,953,564
Total noncurrent assets	6,487,717
Total assets	10,894,286
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflow related to TMRS pensions	27,274
Deferred outflow related to OPEB	2,350
Total deferred outflows of resources	29,624
LIABILITIES	
Current liabilities:	
Accounts payable	140,173
Accrued interest payable	32,755
Due to other funds	2,140
Customer deposits	95,976
Compensated absences - current	1,414
Capital lease payable - current	63,198
Bonds payable - current	115,000
Total current liabilities	450,656
Noncurrent liabilities:	
Bonds payable	4,639,797
Compensated absences	4,242
Capital lease payable	204,970
Net pension liability - TMRS	83,632
Total OPEB liability	12,823
Total noncurrent liabilities	4,945,464
Total liabilities	5,396,120
DEFERRED INFLOWS OF RESOURCES	
Deferred resource inflow related to TMRS pension	24,657
Deferred resource inflow related to OPEB	739
Total deferred inflows of resources	25,396
NET POSITION	
Net investment in capital assets	5,032,390
Unrestricted	470,004
Total net position	$ 5,502,394

The accompanying notes are an integral part of these financial statements.

CITY OF RICHWOOD, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Water, Sewer, and Sanitation
OPERATING REVENUES	
Charges for services:	
Water fees	$ 1,015,934
Sewer fees	850,571
Garbage fees	307,283
Delinquent charges	21,203
Tap and reconnect fees	14,223
Miscellaneous revenue	38,986
Total operating revenues	2,248,200
OPERATING EXPENSES	
Personnel services	388,239
Materials and supplies	39,060
Maintenance and repair	61,975
Contractual services	358,737
Water purchases	283,833
Refuse collection	257,005
Sewer treatment plant operations	313,354
Depreciation	290,897
Total operating expenses	1,993,100
OPERATING INCOME	255,100
NON-OPERATING REVENUES (EXPENSES)	
Investment earnings	50,882
Interest expense	(173,447)
Total nonoperating revenues (expenses)	(122,565)
INCOME BEFORE TRANSFERS	132,535
Transfers in	60,000
Transfers out	(1,313)
Total transfers	58,687
CHANGE IN NET POSITION	191,222
TOTAL NET POSITION - BEGINNING	5,236,107
PRIOR PERIOD ADJUSTMENT	75,065
TOTAL NET POSITION - BEGINNING, AS RESTATED	5,311,172
TOTAL NET POSITION - ENDING	$ 5,502,394

The accompanying notes are an integral
part of these financial statements.

CITY OF RICHWOOD, TEXAS

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities Water, Sewer, and Sanitation
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	$ 2,249,975
Payments to suppliers and service providers	(1,317,837)
Payments to employees for salaries and benefits	(382,578)
Net cash provided by operating activities	549,560
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Cash paid to other funds	(396,070)
Transfers from other funds	60,000
Transfers to other funds	(1,313)
Net cash provided by (used for) noncapital financing activities	(337,383)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	(199,078)
Payments on long-term debt	(146,255)
Interest paid on long-term debt	(184,966)
Net cash used for capital and related financing activities	(530,299)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	50,882
Purchase of investments	(113,063)
Proceeds from sale of investments	28,555
Net cash used for investing activities	(33,626)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(351,748)
CASH AND CASH EQUIVALENTS - BEGINNING	4,218,177
CASH AND CASH EQUIVALENTS - ENDING	3,866,429
Reconciliation of operating income (loss) to net cash provided (used for) operating activities:	
Operating income (loss)	255,100
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation expense	290,897
(Increase) decrease in accounts receivable	(32,900)
(Increase) decrease in other receivables	125
(Increase) decrease in prepaid items	25,817
(Increase) decrease in deferred outflows of resources	31,320
Increase (decrease) in accounts payable	(29,690)
Increase (decrease) in interfund payables	(1,200)
Increase (decrease) in customer deposits	35,750
Increase (decrease) in net pension liability	(52,254)
Increase (decrease) in net OPEB liability	3,504
Increase (decrease) in deferred inflows of resources	23,091
Total adjustments	294,460
Net cash provided by operating activities	$ 549,560

The accompanying notes are an integral part of these financial statements.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Richwood (the City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, public services (utility facilities), public recreation, public benefits (health and welfare), and general administrative services.

The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The City's Financial Statements are in accordance with GASB Statement No. 34, "Basic Financial Statements and Management Discussion and Analysis for State and Local Governments", GASB Statement No. 37, "Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus" which provides additional guidance for the implementation of GASB Statement No. 34, and GASB Statement No. 38 "Certain Financial Statement Disclosures" which changes the note disclosure requirements in the financial statements for governmental entities.

The following is a summary of the most significant accounting policies.

A. Reporting Entity

The City is considered an independent entity for financial reporting purposes and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared, based on considerations regarding the potential for inclusion of other entities, organizations, or functions, as part of the City's financial reporting entity. Based on these considerations, the City's basic financial statements do not include any other entities. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments.

Additionally prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
The members of City council (the "members") are elected by the public and have the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14. and No. 34".

The following component units are included within the City's financial reporting entity:

Richwood Crime Control and Prevention District (CCPD)

The Richwood CCPD was established in 2009 by a vote by the citizens of Richwood. The District was created for the purposes of helping fund crime control and prevention activities within the City. The District is funded by a ¼ cent portion of the City's sales tax revenues. The 7-member board of directors is appointed by City Council. The boards are not substantively the same, and thus the CCPD is included in the government-wide financial statements as a discretely presented component unit. Separate financial statements are not available.

Keep Richwood Beautiful

Keep Richwood Beautiful (KRB) organizes efforts to fund and organize beautification efforts to public spaces within the City. KRB's primary funding source is from a voluntary surcharge levied on the City's utility customers on each bill. KRB is governed by an all-volunteer commission. All volunteers are appointed by City Council. The City has the ability to set the rates on utility bills, approve all expenses through the City's AP system, and has access to KRB's resources in the form of check-signing privileges. Thus, KRB has been included as a blended component unit and is shown as a nonmajor special revenue fund. Separate financial statements are not available.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report financial information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Interfund activities between governmental funds appear as due to/due from on the Governmental Funds Balance Sheet and as other resources and other uses on the Governmental Funds Statement of Revenues, Expenditure and Changes in Fund Balance. All interfund transactions between governmental funds are eliminated on the government-wide statements. Interfund activities between governmental funds and proprietary funds remain as receivables and payables on the government-wide statement of net position.

Separate financial statements are provided for governmental funds and proprietary funds. The City does not have any fiduciary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The City has only one proprietary fund.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, municipal court revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available only when cash is received by the government.

The City has presented the following major governmental funds:

The ***General Fund*** 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. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The ***Debt Service Fund*** accounts for the accumulation of resources for the annual payment of general long-term debt principal and interest of the governmental funds.

The ***Capital Projects Fund (2019A Bond Construction Fund)*** accounts for the proceeds of the 2019A General Obligation Bonds issued for street and road improvements; sidewalk construction and improvements; drainage improvements and flood control projects.

The City reports the following major proprietary fund:

The ***Water, Sewer and Sanitation Enterprise Fund*** is used to account for the provision of water, sewer and sanitation services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water and sewer system and billing and collection activities. The fund also accounts for the accumulation of resources for, and the payment of, long-term debt principal and interest for water and sewer debt. All costs are financed through charges to utility and sanitation customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, and 2) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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

The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system. Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

D. New Pronouncements

Significant new accounting standards not yet implemented by the City include the following:

Statement No. 84, Fiduciary Activities – This statement establishes criteria for identifying fiduciary activities of governments and for identifying fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The statement will become effective for the City in fiscal year 2021.

Statement No. 87, Leases – This statement changes the recognition requirements for certain lease assets and liabilities for leases that are currently classified as operating leases. This statement will become effective for the City in fiscal year 2022.

E. Encumbrances

The City utilizes encumbrance accounting, in its governmental funds. Encumbrances represent commitments related to contracts not yet performed (executor contracts) and are used to control expenditures for the period and to enhance cash management. The City often issues purchase orders or signs contracts for the purchase of goods and services to be received in the future. At the time these commitments are made, which in its simplest form means that when a purchase order is prepared, the appropriate account is checked for available funds. If an adequate balance exists, the amount of the order is immediately charged to the account to reduce the available balance for control purposes. The encumbrance account does not represent an expenditure for the period, only a commitment to expend resources.

Prior to the end of the current period, every effort should be made to liquidate outstanding encumbrances. When encumbrances are outstanding at the current period end, the City likely will honor the open purchase orders or contracts that support the encumbrances. For reporting purposes, as noted earlier, outstanding encumbrances are not considered expenditures for the current period. If the City allows encumbrances to lapse, even though it plans to honor the encumbrances, the appropriations authority expires and the items represented by the encumbrances are usually re-appropriated in the following year's budget. Open encumbrances at current period-end are included in restricted, committed or assigned fund balance, as appropriate. The City had no outstanding encumbrances as September 30, 2020.

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

1. Cash and Cash Equivalents

Investments for the City are reported at fair value, except for the position in investment pools. The City's investment in pools are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method.

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the combined financial statements as cash and investments or restricted cash and investments. The City's cash and investments are considered as cash equivalents as they can be readily converted to cash at their carrying value.

For purposes of the statement of cash flows, the City considers cash and other investments with maturities of three months or less from the date of purchase to be cash and cash equivalents.

2. Interfund Receivables and Payables

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

3. Capital Assets

Capital assets, which includes land, buildings, furniture, equipment and vehicles, infrastructure, and construction in progress are reported in the applicable governmental or business-type activities columns in the 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 is not available. Donated assets are reported at acquisition value. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Assets capitalized have an original cost of $ 5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Asset	Estimated Useful Lives
Buildings	31-40 years
Furniture, equipment, and vehicles	5-10 years
Infrastructure:	
Water and sewer system	45 years
General infrastructure assets	40-45 years

4. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of January 1 for all real and business property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the October 1 levy date. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

The appraisal and recording of all property within the City is the responsibility of the Brazoria County Appraisal District (BCAD), an independent governmental unit with a board of directors appointed by the taxing jurisdictions within the county and funded from assessments against those taxing jurisdictions. BCAD is required by law to assess property at 100% of its appraised value. Real property must be reappraised at least every two years. Under certain circumstances taxpayers and taxing units, including the City, may challenge orders of the BCAD Review Board through various appeals and, if necessary, legal action.

The assessed value of the property tax roll on January 1, upon which the levy for the 2019-20 fiscal year was based, was $519,207,800. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and Interest charges plus 20% delinquent collection fees for attorney costs.

The tax rates assessed for the year ended September 30, 2020, to finance general fund operations and the payment of principal and interest on general obligation long-term debt were $0.5524 and $0.1178 per $ 100 valuation, respectively, for a total of $0.6702 per $100 valuation.

Current tax collections for the year ended September 30, 2020 were 100.10% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting 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.

5. Deferred Outflows and Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources expense or expenditure) until then. The City has the following items that qualify for reporting in this category.

- Pension and OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.

- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following types of items that qualify for reporting in this category.

- Unavailable revenue is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.

- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

- Changes in actuarial assumptions and other inputs – This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.

6. Pension Plans and OPEB Plans

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

For purposes of measuring the total Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF) OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total TMRS SDBF liability and additions to/deductions from the City's total TMRS SDBF liability have been determined on the same basis as they are reported by TMRS. The TMRS SDBF expense and deferred (inflows)/outflows of resources related to TMRS SDBF, primarily result from changes in the components of the total TMRS SDBF liability. Most changes in the total TMRS SDBF liability will be included in TMRS SDBF expense in the period of the change. For example, changes in the total TMRS SDBF liability resulting from current-period service cost, interest on the TOL, and changes of benefit terms are required to be included in TMRS SDBF expense immediately. Changes in the total TMRS SDBF liability that have not been included in TMRS SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to TMRS SDBF.

7. Long-Term Debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. The City has not recorded any bond premiums and discounts. Bond issuance costs are reported as expenditures or expenses in the current period.

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

8. Fund Balances

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Non-spendable Fund Balance - Includes amounts that cannot be spent because they are either not in spendable form, or, for legal or contractual reasons, must be kept intact. This classification includes inventories, prepaid amounts, assets held for sale, and long-term receivables.

Restricted Fund Balance - This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed Fund Balance - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by the ordinance of the City Council, the City's highest level of decision-making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned Fund Balance - This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. The City Council has by City Ordinance authorized City Manager to assign fund balance. The Council may also assign fund balance.

Unassigned Fund Balance - This is the residual classification of the General Fund. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification, as the result of overspending for specific purposes for which amount had been restricted, committed or assigned.

9. Net Position

Net position represents the difference between assets, deferred outflows (inflows) of resources and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

10. Use of Estimates

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

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Collateralization of Deposits

State law and sound investment practice requires that the City’s cash deposits in excess of the FDIC $250,000 coverage be collateralized. This collateral, in the form of pledged securities, standby letters of credit, or asset-backed deposits, must fully cover the dollar value of the amount deposited in excess of FDIC coverage. For the year ended September 30, 2020, the City’s deposits at one institution were not fully collateralized late in the fiscal year. In response, City officials took necessary steps to secure proper collateral; this collateral became effective October 5, 2020.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Deposits and Investments

State statutes authorize the City to invest in obligations of the U. S. Treasury, the State of Texas or its agencies; other states, counties, cities, and state agencies with an “A” rating or equivalent, fully insured or collateralized bank certificates of deposit, and fully collateralized direct repurchase agreements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a financial institution failure, the City’s deposits may not be returned to them. The City requires that all deposits with financial institutions be collateralized in an amount equal to 100 percent of uninsured balances.

All deposits with financial institutions must be collateralized in an amount equal to 100 percent of uninsured balances. At year end, except for $800 of petty cash, the carrying amount of the City's deposits was $1,425,858, while the financial institution balances totaled $1,484,130. Of the financial institution balances, $383,744 was covered by federal depository insurance, and $1,100,386 was covered by collateral held by the City's agent in the City's name.

Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under written investment policy (the "investment policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. This investment policy defines what constitutes the legal list of investments allowed under the policies, which excludes certain instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the investment policy, which is approved by the City Council. The investment policy includes lists of authorized investment instruments and allowable stated maturity of individual investments. In addition it includes and "Investment Strategy Statement" that specifically addresses each investment option and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions (including broker/dealers) in which the City will deposit funds is addressed. The City's investment policy and types of investments are governed by the Public Funds Investment Act (PFIA). The City's management believes it complied with the requirements of the PFIA and the City's investment policy.

The City's Investment Officer submits an investment report each quarter to the City Council. The report details the investment positions of the City and the compliance of the investment portfolio's as they relate to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. Banker's acceptances as permitted by Government Code 2256.012;
5. Commercial paper as permitted by Government Code 2256.013;
6. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;

A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
Public funds investment pools as permitted by Government Code 2256.016.

The City is invested in a certificate of deposit to provide its liquidity needs. It has a maturity of less than 365 days. This investment is insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The City participates in three Local Government Investment Pools (LGIPs): TexPool, Logic, and TexSTAR. The State Comptroller oversees TexPool and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over Logic and TexSTAR, advisory boards consisting of participants or their designees, maintains oversight responsibility for Logic and TexSTAR.

TexPool, TexSTAR, and Logic all have a redemption notice period of one day and may redeem daily. The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

The following table includes the portfolio balances of all investment types of the City at September 30, 2020.

Investment Type	Reported Value	Weighted Average Maturity (Days)
Certificate of Deposit	$ 128,165	88
Certificate of Deposit	59,805	105
Certificate of Deposit	92,452	27
Certificate of Deposit	129,987	27
Certificate of Deposit	106,163	65
Total Certificates of Deposit	516,572	
Local Government Investment Pool:		
TexPool	239,657	38
TexPool Prime	2,026,696	49
TexSTAR	264,768	39
Logic	3,908,281	54
Total Local Government Investment Pool	6,439,402	
Total Investments	$ 6,955,974	

Credit Risk - As of September 30, 2020, the LGIPs are rated AAAm by Standard and Poor's or AAA by Finch, while the remainder is invested in fully secured certificates of deposit.

Interest Rate Risk - As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lessor of a dollar weighted average maturity of 365 days of the anticipated cash flow requirements of the funds. Quality sort-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements.

B. Receivables

Governmental Funds

Receivables as of September 30, 2020, for the government's individual major funds including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Total
Receivables:				
Property taxes	$ 39,638	$ 6,141	$ -	$ 45,779
Sales taxes	92,381	-	23,095	115,476
Franchise taxes	16,331	-	-	16,331
Municipal Court Fines	665,335	-	-	665,335
Customer accounts	2,116	-	17,327	19,443
Accrued interest	584	164	519	1,267
Gross receivables	816,385	6,305	40,941	863,631
Less: allowance for uncollectibles	(581,390)	(2,456)	-	(583,846)
Net total receivables	$ 234,995	$ 3,849	$ 40,941	$ 279,785

Proprietary Fund

Proprietary fund accounts receivable is comprised of $353,082 due from charges for services provided to customers, $969 for other miscellaneous items, and $142 for accrued interest. The City specifically identifies accounts to be written off prior to year-end. Accordingly, an allowance for doubtful accounts is not considered necessary.

Discretely Presented Component Unit

The component unit, CCPD, reported a total receivable of $22,962 on September 30, 2020, for its portion of sales tax receivable. Management considers this balance to be 100% collectable.

C. Capital Assets

A summary of activity for capital assets for the year ended September 30, 2020, follows:

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Governmental Activitites				
Capital assets, not being depreciated:				
Land	$ 335,262	$ -	$ -	$ 335,262
Construction in progress	74,883	512,605	-	587,488
Total capital assets, not being depreciated	410,145	512,605	-	922,750
Capital assets being depreciated:				
Buildings	2,012,725	-	-	2,012,725
Equipment, vehicles, furniture, and fixtures	2,571,908	-	-	2,571,908
Infrastructure	10,467,601	-	-	10,467,601
Total capital assets being depreciated	15,052,234	-	-	15,052,234
Less accumulated depreciation for:				
Buildings	(441,258)	(48,438)	-	(489,696)
Equipment, vehicles, furniture, and fixtures	(1,715,417)	(161,878)	-	(1,877,295)
Infrastructure	(4,182,364)	(208,806)	-	(4,391,170)
Total accumulated depreciation	(6,339,039)	(419,122)	-	(6,758,161)
Total capital assets being depreciated, net	8,713,195	(419,122)	-	8,294,073
Governmental activitites capital asses, net	$ 9,123,340	$ 93,483	$ -	$ 9,216,823

	Balance 9/30/2019	Additions	Deletions	Balance 9/30/2020
Business-Type Activities				
Capital assets, not being depreciated:				
Land	$ 122,580	$ -	$ -	$ 122,580
Construction in progress	221,975	189,598	-	411,573
Total capital assets, not being depreciated	344,555	189,598	-	534,153
Capital assets being depreciated:				
Buildings	193,270	-	-	193,270
Equipment, vehicles, furniture, and fixtur	330,525	9,480	-	340,005
Infrastructure	11,644,457	-	-	11,644,457
Total capital assets being depreciated	12,168,252	9,480	-	12,177,732
Less accumulated depreciation for:				
Buildings	(125,536)	(4,594)	-	(130,130)
Equipment, vehicles, furniture, and fixtur	(250,572)	(14,295)	-	(264,867)
Infrastructure	(5,557,163)	(272,008)	-	(5,829,171)
Total accumulated depreciation	(5,933,271)	(290,897)	-	(6,224,168)
Total capital assets being depreciated, net	6,234,981	(281,417)	-	5,953,564
Business-type activities Capital assets, net	$ 6,579,536	$(91,819)	$ -	$ 6,487,717

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

Governmental Activitites	
General government	$ 49,917
Judicial	10,128
Public safety	137,114
Public works	221,963
	$ 419,122
Business-Type Activitites	
Water, sewer and sanitation	$ 290,897

Construction commitments at September 30, 2020, are as follows:

	Authorized Commitment	Expended To Date	Remaining Commitment
Governmental Activities			
South Yaupon sidewalks	$ 36,000	$ 24,601	$ 11,399
	$ 36,000	$ 24,601	$ 11,399
Business-Type Activities			
Sewer improvements	$ 190,000	$ 16,950	$ 173,050
Wastewater/water master plan & impact fee	123,700	98,332	25,368
North water plan	472,365	75,695	396,670
	$ 786,065	$ 190,977	$ 595,088

D. Long-term Debt

During the year ended September 30, 2020, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	$ 3,105,000	$ -	$(160,000)	$ 2,945,000	$ 205,000
Certificates of obligation	795,000	-	(50,000)	745,000	50,000
Bond issuance premiums/discounts	301,801	-	(15,992)	285,809	-
Notes payable	260,284	-	(38,925)	221,359	15,683
Capital leases	347,067	-	(19,061)	328,006	19,810
Compensated Absences	23,999	64,397	(52,163)	36,233	9,058
Governmental activities long-term liabilities	$ 4,833,151	$ 64,397	$(336,141)	$ 4,561,407	$ 299,551
Business-Type Activities:					
Bonds payable:					
General obligation bonds	$ 3,750,000	$ -	$(20,000)	$ 3,730,000	$ 50,000
Certificates of obligation	740,000	-	(65,000)	675,000	65,000
Bond issuance premiums/discounts	361,912	-	(12,115)	349,797	-
Notes payable	456,421	-	(456,421)	-	-
Capital leases	328,964	-	(60,796)	268,168	63,198
Compensated Absences	3,732	13,531	(11,607)	5,656	1,414
Business-type activities long-term liabilities	$ 5,641,029	$ 13,531	$(625,939)	$ 5,028,621	$ 179,612

General Obligation Bonds/Certificates of Obligation

In July 2004, the City issued $500,000 of City of Richwood, Texas Combination Tax and Revenue Certificates of Obligation, Series 2004 to finance improvements to the existing wastewater system (the "Project"). Interest rates on these bonds range from 2.75% to 5.70%. These certificates of obligation were purchased by the Texas Water Development Board.

In July 2011, the City issued $770,000 of City of Richwood, Texas Combination Tax and Revenue Certificates of Obligation, Series 2011 to finance improvements to the existing wastewater system. Interest rates on these bonds were 3.89%.

In July 2011, the City issued City of Richwood, Texas General Obligation Refunding Bonds, Series 2011 in the amount of $740,000 to refund the City of Richwood, Texas Tax and Revenue Certificates of Obligation Bonds, Series 1999. Interest rate for these bonds is 3.13%.

In July 2012, the City issued City of Richwood, Texas Combined Tax and Revenue Certificates of Obligation Bonds, Series 2012 in the amount of $1,115,000 to fund the purchase and construction of the new city hall.

In July 2019, the City issued City of Richwood, General Obligation Bonds, Series 2019A in the amount of $2,780,000 to fund street and road improvements; sidewalk construction and improvements; drainage improvements and flood control projects. Interest rates on these bonds range from 3.00% to 4.00%.

In July 2019, the City issued City of Richwood, General Obligation Bonds, Series 2019B in the amount of $3,750,000 to fund acquisition, design, construction, equipping, and improvement of water and wastewater facilities, and for the purchase of materials, supplies, machinery, and rights-of-way related thereto. Interest rates on these bonds range from 3.00% to 4.00%.

The General Obligation Bonds and Certificates of Obligation are considered private placements; the notes payable and capital leases are classified as direct borrowings. The leases payable are secured by the leased equipment. Should the City default on the bonds, certificates, or notes, any registered owner of the obligations is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make payment. The leases are secured by the leased equipment.

The following is a summary of the terms of obligations of general obligation bonds and certificates of obligation outstanding as of September 30, 2020:

Governmental Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Series 2011 general obligation refunding bonds	3.13%	$ 740,000	2024	$ 265,000
Series 2019A general obligation	3.00-4.00%	2,780,000	2039	2,680,000
				2,945,000
Certificates of Obligation:				
Series 2012 certificates of obligation	2.00-3.50%	1,115,000	2032	745,000
				745,000
Total Governmental Activities				$ 3,690,000

Business-Type Activities:

Series	Interest Rate	Original Issue	Maturity Date	Debt Outstanding
General Obligation Bonds:				
Series 2019B general obligation	2.00-3.50%	3,750,000	2032	$ 3,730,000
Certificates of Obligation:				3,730,000
Series 2004 combination tax and revenue certificates of obligation	3.00-4.00%	9,705,000	2045	175,000
Series 2011 combination tax and revenue certificates of obligation	3.00%-3.20%	770,000	2037	500,000
				675,000
Total Business-Type Activities				$ 4,405,000

Annual debt service requirements to retire outstanding general obligation bonds and certificates of obligation are as follows:

Year Ending September 30,	Governmental Activities General Obligation Bonds Principal	Interest	Total	Business-Type Activities General Obligation Bonds Prinicipal	Interest	Total
2021	$ 205,000	$ 104,245	$ 309,245	$ 50,000	$ 140,000	$ 190,000
2022	210,000	98,010	308,010	85,000	138,500	223,500
2023	205,000	91,626	296,626	115,000	135,950	250,950
2024	210,000	85,391	295,391	135,000	132,500	267,500
2025	140,000	79,000	219,000	135,000	128,450	263,450
2026-2030	705,000	330,600	1,035,600	665,000	580,450	1,245,450
2031-2035	705,000	197,600	902,600	675,000	455,000	1,130,000
2036-2040	565,000	56,800	621,800	670,000	320,400	990,400
2041-2045	-	-	-	665,000	186,800	851,800
2046-2049	-	-	-	535,000	53,400	588,400
	$ 2,945,000	$ 1,043,272	$ 3,988,272	$ 3,730,000	$ 2,271,450	$ 6,001,450

Year Ending September 30,	Governmental Activities Certificates of Obligation Principal	Interest	Total	Business-Type Activities Certificates of Obligation Prinicipal	Interest	Total
2021	$ 50,000	$ 25,550	$ 75,550	$ 65,000	$ 28,428	$ 93,428
2022	55,000	24,050	79,050	70,000	25,277	95,277
2023	55,000	22,400	77,400	75,000	21,965	96,965
2024	55,000	20,475	75,475	75,000	18,440	93,440
2025	60,000	18,550	78,550	85,000	14,755	99,755
2026-2030	325,000	60,200	385,200	245,000	41,234	286,234
2031-2032	145,000	7,700	152,700	60,000	2,334	62,334
	$ 745,000	$ 178,925	$ 923,925	$ 675,000	$ 152,433	$ 827,433

Notes

During the year ended September 30, 2013, the City received a loan of $ 300,000 from the First National Bank of Lake Jackson to finance the completion of the City Hall building. Quarterly principal and interest payments of $ 5,347 are required with a 3.75% interest rate.

During the year ended September 30, 2017, the City received a loan of $98,493 from the First National Bank of Lake Jackson to finance the purchase of equipment. Monthly principal and interest payments of $2,213 are required with a 3.75% interest rate.

The following is the note repayment schedule as of September 30, 2020:

Year Ending	Governmental Activities		
September 30,	Principal	Interest	Total
2021	$ 15,683	$ 8,595	$ 24,278
2022	13,990	7,399	21,389
2023	14,522	6,867	21,389
2024	15,074	6,314	21,388
2025	15,648	5,741	21,389
2026-2030	87,630	19,313	106,943
2031-2033	58,812	3,178	61,990
	$ 221,359	$ 57,407	$ 278,766

Capital Lease

In January 2014, the Water and Sewer enterprise fund of the City entered into $600,000 Equipment Lease Purchase Agreement with Green Campus Partners, LLC under a capital lease. The interest rate related to the lease obligation is 3.95% and the maturity date is January 2024. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase and may exercise the option on or after January 31, 2020.

In November 2017, the General fund of the City entered into $375,690 Equipment Lease Purchase Agreement with Community First National Bank under a capital lease. The interest rate related to the lease obligation is 3.93% and the maturity date is November 2032. The City will have the option to purchase the Equipment, upon giving written notice to Lessor at least 30 days before the date of purchase.

The following is a schedule showing the future minimum lease payments at September 30, 2020:

	Governmental Activities			Business-Type Activities		
Year Ending	Capital Leases			Capital Leases		
September 30,	Principal	Interest	Total	Prinicipal	Interest	Total
2021	$ 19,810	$ 12,902	$ 32,712	$ 63,198	$ 10,593	$ 73,791
2022	20,590	12,122	32,712	65,694	8,096	73,790
2023	21,400	11,313	32,713	68,289	5,502	73,791
2024	22,241	10,471	32,712	70,987	2,804	73,791
2025	125,037	38,524	163,561	-	-	-
2026-2030	118,928	11,920	130,848	-	-	-
2031-2032	-	-	-	-	-	-
	$ 328,006	$ 97,252	$ 425,258	$ 268,168	$ 26,995	$ 295,163

Operating Leases

On February 26, 2010, the City's Enterprise Fund entered into an interlocal waste water transmission line lease agreement, an operating lease, with the City of Clute. The lease requires quarterly payments on January 15, April 15, July 15, and October 15 of each year from 2010 to 2025. The lease requires total payments of $2,413,627 with varying quarterly payment. During the year ended September 30, 2020 the business-type activities reported expenses in the amount of $139,550.

The following are the minimal lease payments required under these leases:

Year Ending September 30,	Business-Type Activities Prinicipal
2021	$ 143,284
2022	144,989
2023	147,095
2024	149,275
2025	151,532
2026	38,025
	$ 774,200

E. Interfund Receivables, Payables and Transfers

For the year ended September 30, 2020, interfund balances consisted of:

Receivable Fund	Payable Fund	Amount
General fund	Debt Service Fund	$ 2,513
	Water/Sewer Fund	2,140
Governmental Activities	Component Unit	544
		$ 5,197

Interfund balances represent short-term borrowing primarily for cash flow purposes. These include revenue or expenditure/expenses adjustment between funds at or near year-end. The amount due from the component unit to the governmental activities of $544 represents the accrued portion of salaries the CCPD was supporting during Fiscal Year 2020.

For the year ended September 30, 2020, interfund transfers consisted of:

Transfers In	Transfers Out	Amount
General fund	Nonmajor governmental	$ 800
2019 Bond General capital projects fund	General	7,186
2019 Bond General capital projects fund	Enterprise fund	1,313
Enterprise fund	General	60,000
Nonmajor governmental	General	189,061
		$ 258,360

These transfers were approved by the City council as transfers of funds to cover planned expenditures /expenses.

F. Joint Operations

The City is party to an agreement with the City of Clute to share costs associated with the operation of a sewer treatment plant. The percentage for sharing the operating expenses (excluding maintenance and capital outlay) is determined based upon the metered flow of wastewater for each City. For the year ended September 30, 2020, the City of Richwood's portion of these expenses was determined to be 22.1%, which amounted to $163,730. Further, the City of Richwood shares in 25.00% of maintenance costs (including capital acquisitions) which amounted to $14,642 for the year ended September 30, 2020. The Brazosport River Authority maintains both budgetary and accounting responsibility over these operations.

G. Defined Benefit Pension Plan – Texas Municipal Retirement System

Plan Descriptions. 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 agency 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 Sections 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.

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 actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Members can retire at age 60 and above with 5 or more years of service or with 20 years of service regardless of age. The plans also provide death benefits and disability benefits. Effective January 1, 2002, members are vested after 5 years. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

A summary of plan provisions for the City are as follows:

Employee deposit rate	5%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	20 years at any age; 5 years at age 60 and above
Updated Service Credit	100% Repeating, Transfers
Annuity increase to retirees	70% of CPI Repeating
Supplemental death benefit - employees and retirees	Yes

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	19
Inactive employees entitled to but not yet receiving benefits	23
Active employees	23
Total	65

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 consulting 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 5% of their annual gross earnings during the fiscal year. For fiscal year 2020, the City made contributions of 11.05% for the months in 2019 and 11.09% for the months in 2020. The City's contributions to TMRS for the year ended September 30, 2020 were $159,216, and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date. Pension liabilities have been liquidated in prior years from the General Fund for governmental activities and the Water, Sewer, and Sanitation Fund for the business-type activities.

Actuarial Assumptions

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment rate of return	6.75%

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 will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	35.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate. The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 5% 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 plan 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.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c)
Balance at 12/31/2018	$ 4,170,552	$ 3,401,809	$ 768,743
Changes for the year:			
Service cost	166,651		166,651
Interest	278,580	-	278,580
Difference between expected and actual experience	29,889	-	29,889
Change in assumptions	27,128	-	27,128
Contributions - employer	-	142,406	(142,406)
Contributions - employee	-	64,444	(64,444)
Net investment income	-	525,618	(525,618)
Benefit payments, including refunds of employee contributions	(253,538)	(253,538)	-
Administrative expense	-	(2,972)	2,972
Other changes	-	(88)	88
Net changes	248,710	475,870	(227,160)
Balance at 12/31/2019	$ 4,419,262	$ 3,877,679	$ 541,583

Sensitivity of the Net Pension Liability

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%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 1,131,015	$ 541,583	$ 58,623

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.

Pension Expense, 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 $173,855.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	$ 24,278	$ 6,351
Changes in actuarial assumptions used	20,277	-
Differences in projected and actual investment earnings	-	119,058
Contributions subsequent to the measurement date	125,898	-
Total	$ 170,453	$ 125,409

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $125,898 will be recognized as a reduction of the net pension liability for the measurement year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30,	Net Deferred Outflows (Inflows) of Resources
2021	$(21,449)
2022	(23,295)
2023	23,089
2024	(59,199)

H. Defined Benefit Pension Plan – Texas Emergency Services Retirement System

Plan Description

The City participates in the Texas Emergency Services Retirement System (TESRS), a cost-sharing multiple-employer defined benefit pension established and administered by the State of Texas. The TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine members Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System. TESRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at *www.tesrs.org*.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is relatively new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries.

Pension Plan Fiduciary Net Position

For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at *www.tesrs.org*.

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 their 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 the rate of 6.2% compounded annually. There is no provision for automatic postretirement 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 or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Contributions

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. Contributions to the pension plan for the year ended September 30, 2020, were $11,220.

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.

Actuarial Assumptions

The total pension liability in the August 31, 2019, actuarial valuation was determined using the following actuarial assumptions:

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 RP-2000 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 Portfolio Real Rate of Return
Equities:		
Large cap domestic	32.0%	5.81%
Small cap domestic	15.0%	5.92%
Developed international	15.0%	6.21%
Emerging markets	5.0%	7.18%
Master limited partnership	5.0%	7.61%
Fixed income	23.0%	1.61%
Real estate	5.0%	4.46%
Total	100.0%	

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, 2019 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 and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of 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.

The following presents the City's proportionate share of the net pension liability, calculated using the discount rate of 7.75%, as well as what the City's proportionate share of the 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 in Discount Rate (6.75%)	Discount Rate (7.75%)	1% Increase in Discount Rate (8.75%)
City's proportionate share of the net pension liability	$ 123,431	$ 69,447	$ 33,311

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 $69,447 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 employer's contributions to the pension plan relative to contributions of all participating employers to the plan for the period September 1, 2018 through August 31, 2019.

At August 31, 2019 the employer's proportion of the collective net pension liability was 0.245%, which was a decrease of 0.024% when compared to August 31, 2018.

For the year ended September 30, 2020, the City's pension expense was $16,456. At September 30, 2020, the City reported its proportionate share of the TESRS's deferred outflows and 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	$ -	$ 84
Difference between projected and actual investment earnings	8,943	-
Contributions paid to TESRS subsequent to the measurement date	11,220	-
Total	$ 20,163	$ 84

$11,220 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ended September 30	
2021	$ 1,885
2022	989
2023	2,198
2024	3,787

I. Postemployment Benefits Other Than Pensions (OPEB) - TMRS Supplemental Death Benefits Fund

Plan Description. The City voluntarily participates in a single-employer other postemployment benefit (OPEB) plan administered by TMRS. The Plan is a group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). The Plan is established and administered in accordance with the TMRS Act identically to the City's pension plan. SDBF includes coverage for both active and retired members, and assets are commingled for the payment of such benefits. Therefore, the Plan does not qualify as an OPEB Trust in accordance with paragraph 4 of GASB Statement No. 75.

Benefits Provided. The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and 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.

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 employment benefit and is a fixed amount of $7,500.

The number of employees currently covered by the benefit terms is as follows:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	8
Active employees	23
Total	41

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.13% for 2019 and 0.14% for 2020, of which 0.03% represented the retiree-only portion for each year, as a percentage of annual covered payroll. 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 prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2020 and 2019 were $1,981 and $1,810, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year. The City's contribution for retiree portion as of September 30, 2020 was $ 431.

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

Measurement year ended December 31,	2019
Inflation rate	2.50% per annum
Discount rate	2.75%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.50% including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the following:

Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.

Salary increases were based on a service-related table.

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 will be applied to reflect the impairment for younger members who become disabled for males and females. 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 used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Discount Rate. The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.75% was used to measure the Total OPEB Liability. Because the plan is essentially a "pay-as-you-go" plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019.

Discount Rate Sensitivity Analysis. The following schedule shows the impact of the Total OPEB Liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the Total OPEB Liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 101,938	$ 83,041	$ 68,714

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2020, the City reported a liability of $83,041 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of $7,405. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	$ 63,376
Changes for the year:	
Service cost	2,707
Interest	2,394
Difference between expected and actual experience	436
Changes in assumptions or other inputs	14,515
Benefit payments	(387)
Net changes	19,665
Balance at 12/31/2019	$ 83,041

The total OPEB liability attributable to the governmental activities will be liquidated by the General Fund. The total liability attributable to the business-type activities will be liquidated by the Water, Sewer, and Sanitation Fund.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to other post-employment benefits from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences in expected and actual experience	$ 363	$ 1,479
Changes in actuarial assumptions used	15,108	3,304
Contributions subsequent to the measurement date	340	-
Total	$ 15,811	$ 4,783

$340 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2021	$ 2,304
2022	2,304
2023	2,304
2024	1,596
2025	2,180

J. Commitments and Contingencies

Litigation

The City currently is not involved in any nor is the City aware of any significant threatened litigation, claims, or assessments.

K. Risk Pool Participation

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of liability, property, worker's compensation, and medical insurance. The City pays annual premiums to the pool for the coverages stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Property and liability insurance provide varying and appropriate coverage, with most claims subject to a $5,000 deductible. Workers compensation claims are managed by the Texas Municipal League. In addition, the City has designated a portion of the General Fund fund balance for insurance contingencies, to handle deductibles and other associated costs. For medical insurance claims, the City pays insurance premiums for full coverage and has no liability for claims filed by employees or their covered dependents.

L. Economic Development Agreements

On December 9, 2014 the City entered into an Economic Development Agreement with 210 Development Group, LLC (“the Developer”) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, the Developer is expected to construct and operate an apartment complex and the City agrees to provide the Developer an economic incentive for the period of five years commencing with payment of ad valorem taxes on the property by the Developer. For the year ending September 30, 2020, the City made a rebate payment of $72,087 under this agreement.

On January 26, 216 the City entered into an Economic Development Agreement with Jerry Crawford (“Crawford”) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, Crawford is expected to operate and continue an existing business at the property known as Crawford’s Furniture and Appliance, Inc. and the City agrees to provide Crawford an economic incentive for the period of ten years commencing with payment of ad valorem taxes on the property by Crawford. For the year ending September 30, 2020, no rebate payments were made under this agreement.

On April 10, 2017 the City entered into an Economic Development Agreement with Big Kountry Shooting, LLC (“BKS”) in accordance with Chapter 380 of the Texas Local Government Code. Under terms of the agreement, BKS is expected to construct and operate an indoor shooting range within the city limits of the City and the City agrees to provide BKS an economic incentive for the period of two years commencing with payment of ad valorem taxes on the property by BKS. For the year ending September 30, 2020, no rebate payments made by the City.

M. Prior Period Adjustment

During Fiscal Year 2020, Management determined that the Richwood Crime Control and Prevention District (CCPD), which was previously reported with the General Fund, was most appropriately reported separately as a discretely presented component unit. This resulted in an adjustment to beginning fund balance of $172,484 in the General Fund. This adjustment carried over to the government-wide Statement of Activities, where the adjustment decreased beginning governmental activities net position and increased that of the CCPD. This adjustment represented the beginning net position of the CCPD, and no accounting adjustments were required to be made to present the CCPD separately.

Additionally, adjustments to the measurement of customer deposits payable resulted in an increase of beginning net position in the Water, Sewer and Sanitation enterprise fund of $75,065.

APPENDIX C

FORM OF BOND COUNSEL OPINION

NORTON ROSE FULBRIGHT

[DATE]

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We have acted as bond counsel in connection with the issuance by the City of Richwood, Texas (the "*Issuer*") of its General Obligation Bonds, Series 2021 in the aggregate principal amount of $1,940,000 (the "*Bonds*").

In rendering the opinions herein we have examined and relied upon executed Bonds; original or certified copies of the proceedings had in connection with issuance of the Bonds, including the respective Ordinances of the governing body of the Issuer which authorizes issuance of the Bonds (the "*Ordinances*"); certificates of officers of the Issuer related to the expected use and investment of proceeds of the sale of the Bonds and certain other funds of the Issuer, which are within its sole knowledge and control; and such other material and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates.

Based upon such examination, we are of the opinion, that, under applicable law of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Bonds are valid and legally binding obligations of the Issuer payable from the sources, and enforceable in accordance with the terms and conditions, described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity.

2. The Bonds are payable from and equally and ratably secured solely by a lien on and pledge of receipts of an annual ad valorem tax levied, within the limits prescribed by law, upon taxable property within the Issuer.

3. Pursuant to the Internal Revenue Code of 1986, as amended and in force on the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, assuming continuing compliance with the provisions of the Ordinances relating to sections 141 through 150 of the Code, interest on the Bonds is excludable for federal income tax purposes from the gross income, as defined in section 61 of the Code, of the owners thereof pursuant to section 103 of the Code, and such interest will not be included for federal income tax purposes in computing the alternative minimum taxable income of the owners thereof.

We express no other opinion with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, "S" corporations with "subchapter C" earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any change 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 or any court; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.