

## OFFICIAL STATEMENT

Dated August 17, 2021

Rating:  
S&P: "AA"  
(See "OTHER INFORMATION –  
RATING" herein)

NEW ISSUE – BOOK-ENTRY-ONLY

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



\$12,325,000

CITY OF BUDA, TEXAS

(A political subdivision of the State of Texas located in Hays County)

COMBINATION TAX AND LIMITED REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

Dated Date: September 14, 2021

Due: August 15, as shown on page 2

Interest accrues from the Date of Initial Delivery (defined below)

**PAYMENT TERMS** . . . Interest on the \$12,325,000 City of Buda, Texas, Combination Tax and Limited Revenue Certificates of Obligation, Series 2021 (the "Certificates") will accrue from the Date of Initial Delivery, defined below, and will be payable February 15 and August 15 of each year commencing February 15, 2022, until maturity or earlier redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates 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 Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See "THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, National Association, Dallas, Texas (see "THE CERTIFICATES – PAYING AGENT/REGISTRAR").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502, Texas Government Code, as amended, and an ordinance (the "Certificate Ordinance" or the "Ordinance") adopted by the City Council of the City of Buda, Texas (the "City"). The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a continuing, direct annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of surplus net revenues of the City's combined waterworks and sewer system, not to exceed \$1,000 as provided in the Certificate Ordinance (see "THE CERTIFICATES – AUTHORITY FOR ISSUANCE" and "THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for (1) constructing, improving, renovating, expanding and equipping City parks and recreation facilities, including Garison Park Phase I design; (2) constructing, improving and/or extending the City's waterworks and sewer system, including Old Black Colony water tank design and Sunfield effluent force main improvements, including the acquisition of any necessary easements or land; (3) constructing, improving, extending, expanding, upgrading and developing City streets and related traffic improvements including purchasing any necessary right-of-way, including for Cabela's Connector Drive; (4) acquiring land for future park improvements and roadway expansion; and (5) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates. See "THE CERTIFICATES – PURPOSE."

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CUSIP PREFIX: 118828

MATURITY SCHEDULE, INTEREST RATES, PRICES AND OTHER TERMS

SEE INSIDE COVER PAGE

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Purchaser and subject to the approving opinion of the Attorney General of the State of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Austin, Texas, Bond Counsel (see "APPENDIX C – FORM OF BOND COUNSEL'S OPINION").

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on September 14, 2021 (the "Date of Initial Delivery").

## MATURITY SCHEDULE

8/15 Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP Numbers <sup>(1)</sup>
2022	\$ 1,065,000	5.000%	0.120%	118828JY9
2023	395,000	5.000%	0.160%	118828JZ6
2024	415,000	5.000%	0.230%	118828KA9
2025	435,000	5.000%	0.360%	118828KB7
2026	460,000	5.000%	0.510%	118828KC5
2027	480,000	5.000%	0.650%	118828KD3
2028	505,000	5.000%	0.790%	118828KE1
2029	530,000	5.000%	0.920%	118828KF8
2030	560,000	5.000%	1.040%	118828KG6
2031	585,000	5.000%	1.120%	<sup>(2)</sup> 118828KH4
2032	610,000	4.000%	1.230%	<sup>(2)</sup> 118828KJ0
2033	640,000	3.000%	1.480%	<sup>(2)</sup> 118828KK7
2034	660,000	2.000%	1.730%	<sup>(2)</sup> 118828KL5
2035	670,000	2.000%	1.800%	<sup>(2)</sup> 118828KM3
2036	685,000	2.000%	1.910%	<sup>(2)</sup> 118828KN1
2037	700,000	2.000%	2.000%	118828KP6
2038	710,000	2.000%	2.050%	118828KQ4
2039	725,000	2.000%	2.100%	118828KR2
2040	740,000	2.100%	2.150%	118828KS0
2041	755,000	2.100%	2.190%	118828KT8

### (Interest Accrues from the Date of Initial Delivery)

- (1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ LLC on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Certificates as a result of various subsequent actions including, but not limited to, a refunding in whole or in part, procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities of the Certificates. None of the City, the Financial Advisor or the Purchaser shall be responsible for the selection or correctness of the CUSIP numbers shown herein.
- (2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on August 15, 2030, the first optional redemption date for such Certificates, at a redemption price of par plus accrued interest to the redemption date.

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

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*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale. No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such an offer in such jurisdiction.*

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

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

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

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

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

## CITY OFFICIALS, STAFF AND CONSULTANTS

### ELECTED OFFICIALS

City Council	Length of Service	Term Expires
Lee Urbanovsky Mayor	5 Years	November 2023
Matt Smith Councilmember Place 1	9 Months	November 2023
Monica Davidson Councilmember Place 2	9 Months	November 2023
Ray Bryant Councilmember Place 3	3 Years	November 2021
Paul Daugereau Councilmember Place 4	4 Years	November 2021
Terry Cummings Councilmember Place 5	2 Years	November 2022
Evan Ture Councilmember Place 6	4 Years	November 2023

### SELECTED ADMINISTRATIVE STAFF

Name	Position
Kenneth R. Williams	City Manager
Micah Grau	Assistant City Manager
Martie Simpson	Interim Finance Director
Alicia Ramirez	City Clerk

### CONSULTANTS AND ADVISORS

Auditors ..... Whitley Penn, LLP  
Certified Public Accountants  
Houston, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Austin, Texas

Financial Advisor.....Specialized Public Finance Inc.  
Austin, Texas

For additional information regarding the City, please contact:

Micah Grau	Jennifer Ritter
Assistant City Manager	Managing Director
City of Buda	Specialized Public Finance Inc.
405 East Loop Street	248 Addie Roy Road, Suite B-103
Building 100	Austin, Texas 78746
Buda, Texas 78610	(512) 275-7300
(512) 523-1017	

## OFFICIAL STATEMENT SUMMARY

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

<b>THE CITY</b> .....	The City of Buda, Texas (the “City”) is a political subdivision located in Hays County, and operating as a home-rule city under the laws of the State of Texas and a charter approved by the City’s voters in 2007. The City is approximately 2.41 square miles in area (see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY”).
<b>THE CERTIFICATES</b> .....	The \$12,325,000 Combination Tax and Limited Revenue Certificates of Obligation, Series 2021 (the “Certificates”) are issued as serial Certificates maturing on August 15 in the years 2022 through and including 2041 (see “THE CERTIFICATES – GENERAL”).
<b>PAYMENT OF INTEREST</b> .....	Interest on the Certificates will accrue from the Date of Initial Delivery and is payable February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES – GENERAL” and “THE CERTIFICATES – OPTIONAL REDEMPTION”).
<b>AUTHORITY FOR ISSUANCE</b> .....	The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City on August 17, 2021 authorizing the issuance of the Certificates (the “Certificate Ordinance” or the “Ordinance”). See “THE CERTIFICATES – AUTHORITY FOR ISSUANCE.”
<b>SECURITY FOR THE CERTIFICATES.</b>	The Certificates constitute direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Certificate Ordinance and a limited pledge of surplus net revenues of the City’s combined waterworks and sewer system not to exceed \$1,000 (see “THE CERTIFICATES – SECURITY AND SOURCE OF PAYMENT”).
<b>OPTIONAL REDEMPTION</b> .....	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – OPTIONAL REDEMPTION”).
<b>TAX EXEMPTION</b> .....	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption “TAX MATTERS” herein.
<b>USE OF PROCEEDS</b> .....	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for (1) constructing, improving, renovating, expanding and equipping City parks and recreation facilities, including Garison Park Phase I design; (2) constructing, improving and/or extending the City’s waterworks and sewer system, including Old Black Colony water tank design and Sunfield effluent force main improvements, including the acquisition of any necessary easements or land; (3) constructing, improving, extending, expanding, upgrading and developing City streets and related traffic improvements including purchasing any necessary right-of-way, including for Cabela’s Connector Drive; (4) acquiring land for future park improvements and roadway expansion; and (5) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates. See “THE CERTIFICATES – PURPOSE.”
<b>RATING</b> .....	The Certificates and the outstanding debt of the City have been rated “AA” by S&P Global Ratings (“S&P”) without regard to credit enhancement. The City also has various issues outstanding which are rated based on insurance provided by various commercial insurance companies (see “OTHER INFORMATION – RATING”).
<b>BOOK-ENTRY-ONLY SYSTEM</b> .....	The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the book-entry-only system described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial

owners thereof. Principal of, premium, if any, and interest on the Certificates 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 Certificates (see “THE CERTIFICATES – BOOK-ENTRY-ONLY SYSTEM”).

**PAYMENT RECORD** ..... The City has never defaulted on payment of its debt.

#### SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population <sup>(1)</sup>	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	Funded Tax Debt <sup>(2)</sup>	Per Capita Funded Tax Debt	Ratio Funded Debt to Taxable Assessed Valuation	% of Total Tax Collections
2017	16,428	\$ 1,379,286,219	\$ 83,959	\$ 61,950,000	\$ 3,771	4.49%	99.94%
2018	16,582	1,467,909,185	88,524	60,185,000	3,630	4.10%	99.59%
2019	17,232	1,609,596,793	93,407	58,270,000	3,381	3.62%	99.66%
2020	17,232	1,806,737,514	104,848	55,585,000	3,226	3.08%	99.80%
2021	18,907	1,879,344,012	99,399	55,965,000 <sup>(3)</sup>	2,960	2.98%	98.90% <sup>(4)</sup>

(1) Source: The Municipal Advisory Council and the City.

(2) Excludes the debt considered self-supporting. See “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT.”

(3) Projected; includes the Certificates.

(4) Partial collections as of June 30, 2021.

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**OFFICIAL STATEMENT  
RELATING TO  
  
\$12,325,000  
CITY OF BUDA, TEXAS  
COMBINATION TAX AND LIMITED REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2021**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$12,325,000 City of Buda, Texas Combination Tax and Limited Revenue Certificates of Obligation, Series 2021 (the “Certificates”). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the “Certificate Ordinance” or the “Ordinance”), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City’s Financial Advisor, Specialized Public Finance Inc., Austin, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 2007. The City operates under the Council/Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, sanitation services, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The estimated 2021 population is 18,907. The City covers approximately 2.41 square miles. For more information regarding the City, see “APPENDIX A – GENERAL INFORMATION REGARDING THE CITY.”

**THE CERTIFICATES**

**GENERAL . . .** The Certificates are dated September 14, 2021, and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable February 15 and August 15 of each year commencing February 15, 2022 until maturity or earlier redemption, accruing from the Date of Initial Delivery.

The definitive Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the book-entry-only system described herein (the “Book-Entry-Only System”). **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, and interest on the Certificates 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 Certificates. See “BOOK-ENTRY-ONLY SYSTEM” herein.

**AUTHORITY FOR ISSUANCE . . .** The Certificates are issued pursuant to the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1502, Texas Government Code, as amended, and the Certificate Ordinance adopted by the City Council on August 17, 2021.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates constitute direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates as provided in the Ordinance, and a limited pledge of surplus net revenues of the City’s combined waterworks and sewer system not to exceed \$1,000.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution limits the maximum ad valorem tax rate for home-rule cities to \$2.50 per \$100 taxable assessed valuation for all purposes. Administratively, the Attorney General of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service calculated at the time of issuance based on 90% tax collections.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2031, in whole or from time to time in part, in principal amounts of \$5,000 or any integral multiple thereof, on August 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of such Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot or any other customary random method such Certificates, or portions thereof, within such maturity to be redeemed. If any Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificate called for redemption or any other action premised or any such notice.

Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificate held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificate from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. See "THE CERTIFICATES – Book-Entry-Only System" herein.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of a premium, if any, and interest on the applicable Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be 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 Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

**DTC REDEMPTION PROVISIONS . . .** The Paying Agent/Registrar and the City so long as a book-entry-only system is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Certificates held for the account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption will not be conducted by the City or the Paying/Agent Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC Participants, Indirect Participants or persons for whom DTC Participants act as nominees, with respect to the payments on the Certificates or the providing of notice to Direct Participants, Indirect Participants, or beneficial owners of the selection of portions of the Certificates for redemption.

**DEFEASANCE . . . General.** The Ordinance provide for the defeasance of the Certificates and the termination of the pledge of taxes and all other general covenants in the Ordinance under certain circumstances. Any Certificate and the interest thereon shall be deemed to be paid, retired and no longer outstanding ("Defeased Certificate") within the meaning of the Ordinance, except to the extent provided below for the Paying Agent/Registrar to continue payments and for the City to retain the right to call Defeased Certificates to be paid at maturity, when the payment of all principal and interest payable with respect to such Defeased Certificates to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to



the Paying Agent/Registrar or a commercial bank or trust company for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until after all Defeased Certificates shall have become due and payable or (c) any combination of (a) and (b). At such time as a Certificate shall be deemed to be a Defeased Certificate, such Certificate and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes levied and pledged as provided in the Ordinance, and such principal and interest shall be payable solely from such money or Defeasance Securities and thereafter the City will have no further responsibility with respect to amounts available to such Paying Agent/Registrar (or other financial institution permitted by applicable law) for the payment of such Defeased Certificate, including any insufficiency therein caused by the failure of the Paying Agent/Registrar (or other financial institution permitted by law) to receive payment when due on the Defeased Securities.

The deposit under clause (2) above shall be deemed a payment of a Certificate when proper notice of redemption of such Certificates shall have been given, in accordance with the Ordinance. Any money so deposited with the Paying Agent/Registrar or a commercial bank or trust company may at the discretion of the City also be invested in Defeasance Securities, as hereinafter defined, maturing in the amounts and at the times as set forth in the Ordinance, and all income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company that is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, shall be remitted to the City.

All money or Defeasance Securities set aside and held in trust pursuant to the provisions of the Ordinance for the payment of principal of the Certificates and premium, if any, and interest thereon, shall be applied to and used solely for the payment of the particular Certificates and premium, if any, and interest thereon, with respect to which such money or Defeasance Securities have been so set aside in trust. Until all Defeased Certificates shall have become due and payable, the Paying Agent/Registrar or a commercial bank or trust company shall perform the services of Paying Agent/Registrar for such Defeased Certificates the same as if they had not been defeased, and the City shall make proper arrangements to provide and pay for such services as required by the Ordinance.

If money or Defeasance Securities have been deposited or set aside with the Paying Agent/Registrar or a commercial bank or trust company for the payment of Certificates and such Certificates shall not have in fact been actually paid in full, no amendment of the defeasance provisions of the Ordinance shall be made without the consent of the registered owner of each Certificate affected thereby.

*Retention of Rights.* To the extent that, upon the defeasance of any Defeased Certificates to be paid at its maturity, the City retains the right under State law to later call any Defeased Certificates which is subject to redemption (i.e. the Certificates) in accordance with the provisions of the Ordinance, the City may call such Defeased Certificates for redemption upon complying with the provisions of State law and upon the satisfaction of the provisions set forth above regarding such Defeased Certificates as though it was being defeased at the time of the exercise of the option to redeem the Defeased Certificates and the effect of the redemption is taken into account in determining the sufficiency of the provisions made for the payment of the Defeased Certificates.

*Investments.* Any escrow agreement or other instrument entered into between the City and the Paying Agent/Registrar or a commercial bank or trust company pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or a commercial bank or trust company for the payment of Defeased Certificates may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or a commercial bank or trust company which is not required for the payment of the Certificates and interest thereon, with respect to which such money has been so deposited, will be remitted to the City.

For the purposes of these provisions, "Defeasance Securities" means (i) Federal Securities, (ii) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Certificates are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the City Council adopts or approves proceedings authorizing the issuance of refunding bonds or otherwise provide for the funding of an escrow to effect the defeasance of the Certificates, are rated as to investment quality by a nationally recognized investment rating firm no less than "AAA" or its equivalent and (iv) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Obligations. For the purposes of these provisions, "Federal Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates, 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 Certificates), 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 Certificates. The Certificates will be issued as fully-registered Certificates 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 Certificates, each in the aggregate principal amount of 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 a 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](http://www.dtcc.com).

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's 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 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

All payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Certificates 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, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or 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 Certificates 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, Certificate certificates are required to be printed and delivered.

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

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 does not take any responsibility for the accuracy thereof.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Certificates are in the book-entry-only system, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the book-entry-only system, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

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

**TRANSFER, EXCHANGE AND REGISTRATION . . .** If the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

**RECORD DATE FOR INTEREST PAYMENT. . .** The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment

Date,” which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each owner of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**CERTIFICATEHOLDERS’ REMEDIES . . .** The Ordinance establish specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provide that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City’s obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year.

The Ordinance do not provide for the appointment of a trustee to represent the interest of the Certificateholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006, the Texas Supreme Court ruled in *Tooke v. City of Mexia*, 49 Tex. Sup. Ct. J. 819 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s governmental immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function.

As noted above, the respective Ordinance provide that holders of Certificates may exercise the remedy of mandamus to enforce the obligations of the City under the respective Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to governmental immunity and the customary rights of debtors relative to their creditors and general principles of equity which permit the exercise of judicial discretion.

**AMENDMENTS TO THE ORDINANCE . . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely

affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Certificates no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Certificates; (2) reducing the rate of interest borne by any of the outstanding Certificates; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**PURPOSE . . .** Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations incurred or to be incurred by the City for (1) constructing, improving, renovating, expanding and equipping City parks and recreation facilities, including Garison Park Phase I design; (2) constructing, improving and/or extending the City's waterworks and sewer system, including Old Black Colony water tank design and Sunfield effluent force main improvements, including the acquisition of any necessary easements or land; (3) constructing, improving, extending, expanding, upgrading and developing City streets and related traffic improvements including purchasing any necessary right-of-way, including for Cabela's Connector Drive; (4) acquiring land for future park improvements and roadway expansion; and (5) professional services including fiscal, engineering, architectural and legal fees and other such costs incurred in connection therewith including the costs of issuing the Certificates.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

Sources:	
Principal	\$ 12,325,000.00
Net Premium	<u>1,351,383.55</u>
Total Sources	\$ 13,676,383.55

Uses:	
Deposit to Project Fund	\$ 13,500,000.00
Purchaser' Discount	63,967.90
Deposit to Debt Service Fund	4,964.90
Costs of Issuance	<u>107,450.75</u>
Total Uses	\$ 13,676,383.55

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## 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.*

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("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 Hays Central 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.

**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.

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

**TAX INCREMENT FINANCING ZONES . . .** A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value," and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "– Tax Increment Financing Zones" below for descriptions of any TIRZ created in the City.

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

For a discussion of how the various exemptions described above are applied by the City, see "– City Application of Tax Code" herein.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**DEBT TAX RATE LIMITATIONS . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-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.

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

Owners of certain property with a taxable value of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of 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.

**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.

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information in either the standard edition of the Annual Energy Outlook or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year and become delinquent on February 15 of the following year. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1.

**PENALTIES AND INTEREST . . .** Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

**CITY APPLICATION OF TAX CODE . . .** The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$35,000; the disabled are also granted an exemption of \$35,000.

The City has granted an additional exemption of the market value of residence homesteads.

See "Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT" for a listing of the amounts of the exemptions described above.

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

The City does not tax nonbusiness personal property; and the Hays County Tax Assessor/Collector collects taxes for the City.

The City does permit split payments, and discounts are allowed.

The City does not tax freeport property.

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

The City has not adopted a tax abatement policy.

In July of 2004, the City Council created the Reinvestment Zone Number One ("TIRZ No. 1") to provide funding for costs related to the construction of by Cabela's Retail Inc. ("Cabela's") of an approximately 175,000 square foot retail, museum and warehouse

facility in the City. TIRZ No. 1 consists of approximately 126 acres with the City. The term of TIRZ No. 1 expires upon the earlier of July 6, 2024 or the date upon which Cabela's receives a public participation amount of approximately \$36 million dollars, with certain adjustments as provided for in the development agreement with Cabela's (the "Public Participation Amount"). The City currently expects that TIRZ No. 1 will expire on July 6, 2024. The City and Hays County both participate at 100% in TIRZ No. 1, which is applied toward such Public Participation Amount. The 2004 base value of TIRZ No. 1 as reported by the Hays Central Appraisal District was \$2,869,140.

The City also provides additional assistance to Cabela's towards such Public Participation Amount pursuant to a Chapter 380 Economic Development Grant Agreement executed in conjunction with the development which requires the City to make monthly grant payments, subject to annual appropriation, in an amount equal to (i) 56% of the City's 1% of sales tax revenues collected within TIRZ No. 1, and (ii) 40% of the City's 7% hotel occupancy tax revenues collected within the TIRZ No. 1, up to the total costs of the museum portion of the project.

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

2020/21 Market Valuation Established by Hays Central Appraisal District (excluding totally exempt property)		\$ 1,991,822,709
Less Exemptions/Reductions at 100% Market Value:		<u>112,478,697</u>
2020/21 Taxable Assessed Valuation		\$ 1,879,344,012
2021/2022 Taxable Assessed Valuation		\$ 2,131,563,681
City Funded Debt Payable from Ad Valorem Taxes (as of 7-1-2021)	\$ 92,880,000	
The Certificates	<u>12,325,000</u>	
Total Debt Payable from Ad Valorem Taxes	\$ 105,205,000	
Less: Self-Supporting Debt	<u>(48,290,000)</u>	(1)
Net Debt Payable from Ad Valorem Taxes	\$ 56,915,000	
Interest and Sinking Fund (as of 7-1-21)	\$ 3,341,223	
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.03%
2021 Estimated Population - 18,907		
Per Capita Taxable Assessed Valuation - \$99,399		
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - \$3,010		

- (1) A portion of the City's Combination Tax and Limited Revenue Certificates of Obligation, Series 2006, Combination Tax and Limited Revenue Certificates of Obligation, Series 2014 and the Certificates are supported by waterworks and sewer system revenues. The City's Combination Tax and Limited Revenue Certificates of Obligation, Series 2014A, Combination Tax and Limited Revenue Certificates of Obligation, Series 2016, Combination Tax and Limited Revenue Certificates of Obligation, Series 2017, Tax Notes, Series 2018, General Obligation Refunding Bonds, Series 2019, General Obligation Refunding Bonds, Series 2020 are 100% supported by waterworks and sewer system revenues.

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**TABLE 2 – VALUATION AND AD VALOREM TAX DEBT HISTORY**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation	Taxable Assessed Valuation Per Capita	Funded Debt Outstanding at End Of Year <sup>(2)</sup>	Ratio of Funded Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2017	16,428	\$ 1,379,286,219	\$ 83,959	\$ 61,950,000	4.49%	\$ 3,771
2018	16,582	1,467,909,185	88,524	60,185,000	4.10%	3,630
2019	17,232	1,609,596,793	93,407	58,270,000	3.62%	3,381
2020	17,232	1,806,737,514	104,848	55,585,000	3.08%	3,226
2021	18,907	1,879,344,012	99,399	55,965,000 <sup>(3)</sup>	2.98%	2,960

(1) Source: The Municipal Advisory Council and the City.

(2) Excludes self-supporting debt. See “Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT.”

(3) Projected; includes the Certificates.

**TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2017	\$ 0.3704	\$ 0.1193	\$ 0.2511	\$ 5,329,251	99.94%	99.94%
2018	0.3673	0.1059	0.2614	5,764,632	99.59%	99.59%
2019	0.3710	0.1061	0.2649	6,274,385	99.66%	99.66%
2020	0.3496	0.1096	0.2400	6,316,354	99.80%	99.80%
2021	0.3423	0.1147	0.2276	6,393,549	98.90% <sup>(1)</sup>	98.90% <sup>(1)</sup>

(1) Partial collections as of June 30, 2021.

**TABLE 4 – TEN LARGEST TAXPAYERS**

Name of Taxpayer	2020/21 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Texas Lehigh Cement Co.	\$ 82,476,708	4.39%
WW Carrington Oaks Fund XI LLC	36,900,000	1.96%
MFT-Silverado II LLC	32,246,394	1.72%
Flint Hills Resources Central TX LLC	20,143,553	1.07%
Buda House Assisted Living	14,222,760	0.76%
Capital Excavation Inc.	12,182,772	0.65%
CF Bass Propco	11,486,630	0.61%
Cabela's Retail TX LP	10,928,998	0.58%
Sam's East Inc.	10,715,197	0.57%
DS Buda Shop LP	10,427,410	0.55%
	<u>\$ 241,730,422</u>	<u>12.86%</u>

**GENERAL OBLIGATION DEBT LIMITATION . . .** No general obligation debt limitation is imposed on the City under current State law or the City’s Home Rule Charter (see “THE CERTIFICATES – TAX RATE LIMITATION”).

**TABLE 5 – TAX ADEQUACY<sup>(1)</sup>**

2021 Principal and Interest Requirements	\$ 4,075,705
\$0.2213 Tax Rate at 98% Collection Produces	\$ 4,075,809
Estimated Average Annual Principal and Interest Requirements, 2021-2041	\$ 3,945,154
\$0.2143 Tax Rate at 98% Collection Produces	\$ 3,946,886
Estimated Maximum Annual Principal and Interest Requirements, 2022	\$ 4,880,199
\$0.2650 Tax Rate at 98% Collection Produces	\$ 4,880,656

(1) Excludes self-supporting debt. See “Table 1 – VALUATIONS, EXEMPTIONS AND AD VALOREM TAX DEBT.”

## DEBT INFORMATION

**TABLE 6 – DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending 9/30	Outstanding Ad Valorem Tax Debt <sup>(1)</sup>			The Certificates <sup>(2)</sup>			LESS: Self-Supporting Debt <sup>(3)</sup>	Total Ad Valorem Tax Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total		
2021	\$ 4,250,000	\$ 3,351,876	\$ 7,601,876	\$ -	\$ -	\$ -	\$ 3,526,171	\$ 4,075,705
2022	4,380,000	3,219,110	7,599,110	1,065,000	394,897	1,459,897	4,178,807	4,880,199
2023	4,530,000	3,081,068	7,611,068	395,000	376,245	771,245	4,188,194	4,194,119
2024	4,665,000	2,940,252	7,605,252	415,000	356,495	771,495	4,187,014	4,189,733
2025	4,855,000	2,767,922	7,622,922	435,000	335,745	770,745	4,201,327	4,192,340
2026	4,085,000	2,590,460	6,675,460	460,000	313,995	773,995	3,258,267	4,191,188
2027	4,200,000	2,429,727	6,629,727	480,000	290,995	770,995	3,211,753	4,188,970
2028	4,360,000	2,270,015	6,630,015	505,000	266,995	771,995	3,210,984	4,191,027
2029	4,510,000	2,120,989	6,630,989	530,000	241,745	771,745	3,216,565	4,186,169
2030	4,435,000	1,973,355	6,408,355	560,000	215,245	775,245	2,987,645	4,195,955
2031	4,405,000	1,813,432	6,218,432	585,000	187,245	772,245	2,789,231	4,201,446
2032	4,480,000	1,646,376	6,126,376	610,000	157,995	767,995	2,699,910	4,194,461
2033	4,635,000	1,487,026	6,122,026	640,000	133,595	773,595	2,701,460	4,194,161
2034	4,805,000	1,321,289	6,126,289	660,000	114,395	774,395	2,700,975	4,199,709
2035	4,645,000	1,158,019	5,803,019	670,000	101,195	771,195	2,373,795	4,200,419
2036	4,805,000	1,000,275	5,805,275	685,000	87,795	772,795	2,377,045	4,201,025
2037	4,730,000	820,585	5,550,585	700,000	74,095	774,095	2,382,355	3,942,325
2038	4,905,000	644,300	5,549,300	710,000	60,095	770,095	2,375,970	3,943,425
2039	5,090,000	461,375	5,551,375	725,000	45,895	770,895	2,378,145	3,944,125
2040	4,560,000	271,500	4,831,500	740,000	31,395	771,395	2,378,570	3,224,325
2041	1,620,000	103,230	1,723,230	755,000	15,855	770,855	2,376,670	117,415
2042	1,670,000	52,605	1,722,605	-	-	-	1,722,605	-
	\$ 94,620,000	\$ 37,524,786	\$ 132,144,786	\$ 12,325,000	\$ 3,801,912	\$ 16,126,912	\$ 65,423,458	\$ 82,848,240

(1) Includes self-supporting general obligation debt.

(2) Interest calculated at the rates shown on the inside cover page hereof.

(3) See “Table 1 – VALUATIONS, EXEMPTIONS AND AD VALOREM TAX DEBT.”

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**TABLE 7 – ESTIMATED OVERLAPPING DEBT**

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

Taxing Jurisdiction	Total Tax Supported Debt	Estimated % Applicable	City's Overlapping Tax Supported Debt as of 7/31/2021
Hays CISD	\$ 440,090,000	19.80%	\$ 87,137,820
Hays County	474,159,579	7.59%	35,988,712
Austin Community College District	459,160,000	0.76%	3,489,616
City of Buda	56,915,000 <sup>(1)</sup>	100.00%	56,915,000
Total Direct and Overlapping Tax Supported Debt			\$ 183,531,148
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation			9.77%
Per Capita Overlapping Tax Supported Debt			\$ 9,707

(1) Includes the Certificates and excludes self-supporting debt. See "Table 1 – VALUATION, EXEMPTIONS AND AD VALOREM TAX DEBT."

#### **AUTHORIZED BUT UNISSUED GENERAL OBLIGATION DEBT - NONE**

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . .** The City does anticipate the issuance of additional ad valorem tax debt within the next twelve months. The City anticipates calling a bond election to be held on November 2, 2021 where the City's voters will consider two bond propositions totaling approximately \$85 million.

**TABLE 8 – INTEREST AND SINKING FUND BUDGET PROJECTION**

Estimated General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2021		\$ 7,601,876
2020 Interest and Sinking Fund Tax Levy	\$ 4,063,518	
Fiscal Year End 2020 Interest and Sinking Fund Balance <sup>(1)</sup>	792,470	
Self-Supported Debt Service	3,526,171	8,382,159
Estimated Balance, 9/30/2021		<u>\$ 780,283</u>

(1) Unaudited.

**OTHER OBLIGATIONS . . .** The City has other obligations total \$134,397 as of July 1, 2021. See "Notes to the Financial Statements" in APPENDIX B.

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

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## FINANCIAL INFORMATION

**TABLE 9 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ending September 30,				
	2020	2019	2018	2017	2016
<u>Revenues:</u>					
Taxes	\$ 11,298,891	\$ 10,222,567	\$ 9,735,356	\$ 8,491,266	\$ 7,725,133
Fees and charges	2,157,142	2,507,710	1,867,956	1,937,392	1,410,919
Grants and Contributions	1,152,620	888,906	143,400	241,541	30,000
Interest	166,152	324,172	72,448	31,167	49,395
Miscellaneous	148,170	45,460	103,318	80,993	171,891
Total Revenues	<u>\$ 14,922,975</u>	<u>\$ 13,988,815</u>	<u>\$ 11,922,478</u>	<u>\$ 10,782,359</u>	<u>\$ 9,387,338</u>
<u>Expenditures:</u>					
Administration and General	\$ 1,544,669	\$ 2,152,194	\$ 1,655,859	\$ 1,616,478	\$ 1,621,675
Finance	695,082	629,918	623,792	597,430	624,354
Economic Development	3,105,580	2,829,181	2,918,591	-	-
Streets and infrastructure	1,132,940	785,586	782,768	787,629	982,731
Engineering and planning	935,675	975,243	1,109,047	1,119,518	1,289,108
Fleet maintenance	133,808	133,248	179,206	181,626	146,154
Parks and recreation	955,493	904,600	760,605	691,258	677,381
Library	631,136	628,773	744,299	457,275	451,649
Community development	251,640	243,312	148,614	221,388	193,556
Non-departmental	2,320,237	642,009	1,010,505	-	-
Public Safety	2,410,292	2,182,120	2,067,451	1,867,249	1,606,841
Municipal Court	150,201	141,161	121,247	125,725	125,467
Animal Control	110,390	95,268	139,363	87,235	81,304
Information Technology	553,708	397,387	319,084	277,450	342,973
Facilities Maintenance	244,420	238,957	140,467	-	-
Capital Outlay	281,113	726,787	-	-	-
Debt Service	73,410	74,590	-	30,941	1,085
Total Expenses	<u>\$ 15,529,794</u>	<u>\$ 13,780,334</u>	<u>\$ 12,720,898</u>	<u>\$ 8,061,202</u>	<u>\$ 8,144,278</u>
Excess (Deficiency) of Revenues over Expenditures	\$ (606,819)	\$ 208,481	\$ (798,420)	\$ 2,721,157	\$ 1,243,060
Loan and financing lease proceeds	\$ -	\$ 261,475	\$ -	\$ -	\$ 338,000
Bond Proceeds	-	-	-	-	-
TIRZ 1-sales tax payment	-	-	-	(2,036,166)	(1,951,121)
Budgeted Transfers In	1,365,216	1,339,684	745,983	732,074	634,370
Budgeted Transfers Out	(189,865)	(62,815)	(7,661)	(134,084)	-
	<u>1,175,351</u>	<u>1,538,344</u>	<u>738,322</u>	<u>(1,438,176)</u>	<u>(978,751)</u>
Net Increase (Decrease)	\$ 568,532	\$ 1,746,825	\$ (60,098)	\$ 1,282,981	\$ 264,309
Fund Equity at Beginning of Year	7,053,712	5,306,887	5,366,985	4,084,004	3,819,695
Adjustments to Fund Balance	-	-	-	-	-
Fund Equity at End of Year	<u>\$ 7,622,244</u>	<u>\$ 7,053,712</u>	<u>\$ 5,306,887</u>	<u>\$ 5,366,985</u>	<u>\$ 4,084,004</u>

Source: City's audited financial statements.

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**TABLE 10 – MUNICIPAL SALES TAX HISTORY**

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321 of the Texas 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 Certificates. 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.

Fiscal Year Ended 9/30	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2017	\$ 5,997,781	112.54%	\$ 0.4348	\$ 365
2018	7,178,344	124.52%	0.4890	433
2019	7,481,213	119.23%	0.4648	434
2020	8,347,110	132.15%	0.4620	484
2021 <sup>(1)</sup>	8,062,559	126.10%	0.4290	426

(1) Unaudited collections as of June 30, 2021.

## INVESTMENTS

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

**INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . .** Under State law the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as its custodian of the banking deposits issued for its account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (12)

commercial paper with a stated maturity of 365 days or less that is rated at least “A-1” or “P-1” or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than “A” or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

An eligible political subdivision such as the City may enter into hedging transactions, including hedging contracts, related security, credit, and insurance agreements in connection with commodities used the political subdivision in its general operations, with the acquisition or construction of a capital project, or with an eligible project. A hedging transaction must comply with the regulations of the Commodity Futures Trading Commission and the SEC. The political subdivision may pledge to such contracts or agreements any general or special revenues or funds it is authorized by law to pledge to the payment of any other obligations. The political subdivision’s cost under such contract or agreement may be considered an operations and maintenance expense, an acquisition costs, a project cost, or a construction expense.

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

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

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund’s investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under State law, the City’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the City’s investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the 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 strategies and (b) State law. No person may invest City funds without express written authority from the City Council.



Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) adopt a rule, order, ordinance, or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution, (3) require any investment officers with personal business relationships or family relationships with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City, (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 investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement attesting to these requirements, (5) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (7) restrict the investment in no-load money market mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements, (9) provide specific investment training for the treasurer, the chief financial officer (if not the treasurer) and the investment officer, 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.

The City's current investment policy is in compliance with the State law requirements described above.

#### TABLE 11 – CURRENT INVESTMENTS

As of June 30, 2021, the City's investable funds were invested in the following categories:

Investments	Market Value	% of Total
Money Market Mutual Funds	\$ 24,955,605	62.15%
Local Government Investment Pool	9,040,287	22.52%
Cash/Bank Deposits	87,308	0.22%
U.S. Government Agencies	6,067,508	15.11%
	<u>\$ 40,150,708</u>	<u>100.00%</u>

As of such date, the market value of the investment portfolio was approximately 100.00% of its book value. No funds of the City are invested in derivative securities; i.e., securities whose rate of return is determined by reference to some other instrument, index, or commodity.

#### TAX MATTERS

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

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

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

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

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

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

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

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

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

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

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

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

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

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

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

## **CONTINUING DISCLOSURE OF INFORMATION**

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board (“MSRB”). The MSRB currently makes this information publicly available on its Electronic Municipal Market Access System (“EMMA”) at <http://emma.msrb.org/>.

**ANNUAL REPORTS . . .** The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 11 and in APPENDIX B. The City will provide this information within 6 months after the end of each fiscal year ending in or after 2021. If audited financial statements are not available when the other information is provided, the City will provide audited financial statements when and if they become available and will provide unaudited financial statements within 12 months after fiscal year end, unless audited financial statements are sooner provided. Financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the “SEC”).

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

**EVENT NOTICES . . .** The City will provide timely notices of certain events to the MSRB, but in no event will such notices be provided to the MSRB in excess of ten business days after the occurrence of an event. The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of Beneficial Owners of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing

repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City or other obligated person within the meaning of CFR § 240.15c2-12 (the “Rule”); (13) consummation of a merger, consolidation, or acquisition involving the City or other obligated person within the meaning of the Rule or the sale of all or substantially all of the assets of the City or other obligated person within the meaning of the Rule, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of an 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 (as defined by the Rule, which includes certain debt, debt-like, and debt related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement or a trustee.

“Financial Obligation” 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 to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

The City intends the words used in clauses (15) and (16) above and the definition of financial obligation in this Section to have the meanings as when they are used in the Rule, as evidenced by Securities and Exchange Commission Release No. 34-83885, dated August 20, 2018.

The City will provide notice of the aforementioned events to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event). The City will also provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.”

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Certificates.

The City may also amend or repeal the provisions of its continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, and the City also may amend the provisions of its continuing disclosure agreement in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates, giving effect to (i) such provisions as so amended and (ii) any amendments or interpretations of the Rule.

If the City so amends its continuing disclosure agreement as described in this section, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under “ANNUAL REPORTS” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS . . .** The City has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule for the last five years.

## LEGAL MATTERS

**LEGAL OPINIONS . . .** Issuance of the Certificates is subject to the approving legal opinion of the Attorney General of Texas to the effect that the initial Certificates are valid and binding obligations of the City payable from the proceeds of an annual ad valorem tax levied, without legal limit as to rate or amount, upon all taxable property within the City. Issuance of the Certificates is also subject to the legal opinion of McCall, Parkhurst & Horton L.L.P. ("Bond Counsel"), based upon examination of a transcript of the proceedings incident to authorization and issuance of the Certificates, to the effect that the Certificates are valid and binding obligations of the City 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. Bond Counsel's legal opinion will also address the matters described herein under "TAX MATTERS." Such opinions will express no opinion with respect to the sufficiency of the security for or the marketability of the Certificates. In connection with the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are based upon a percentage of Certificates actually issued, sold and delivered, and therefore, such fees are contingent upon the sale and delivery of the Certificates.

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

**NO-LITIGATION CERTIFICATE . . .** The City will furnish to the Initial Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by both the Mayor and City Clerk of the Board, to the effect that no litigation of any nature has been filed or is then pending or threatened, either in state or federal courts, contesting or attacking the Certificates; restraining or enjoining the issuance, execution or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceedings for the issuance, execution, or delivery of the Certificates; or affecting the validity of the Certificates.

**NO MATERIAL ADVERSE CHANGE . . .** The obligations of the Initial Purchaser to take and pay for the Certificates, and of the City to deliver the Certificates, are subject to the condition that, up to the time of delivery of and receipt of payment for the Certificates, there shall have been no material adverse change in the condition (financial or otherwise) of the City from that set forth or contemplated in the Official Statement.

## OTHER INFORMATION

**RATING . . .** The Certificates and the outstanding debt of the City have been rated "AA" by S&P Global Ratings ("S&P") without regard to credit enhancement. The City also has various issues outstanding which are rated based on insurance provided by various commercial insurance companies. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The rating reflects only the respective views of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Certificates.

**LITIGATION . . .** The City is a defendant in various tort claims and lawsuits involving general liability, civil rights actions, and various contractual matters. In the opinion of the City's management and the City Attorney's office, the outcome of the pending litigation will not have a material adverse effect on the City's financial position or operations of the City.

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

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Under the Texas Public Security Procedures Act, Chapter 1201, Texas Government Code, as amended, the Certificates (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (a) an insurance company, (b) a fiduciary or trustee, or (c) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, the Certificates may have to be assigned a rating of at least "A" or its equivalent as to investment

quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “OTHER INFORMATION – RATING” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor’s fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

**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 within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**INITIAL PURCHASER . . .** After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets (the “Purchaser”) to purchase the Certificates at the interest rates shown on the inside cover page of the Official Statement at a price of approximately 110.446% of par. The Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

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

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

This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Securities and Exchange Commission’s rule codified at 17 C.F.R. Section 240.15c2-12.

**CERTIFICATION AS TO OFFICIAL STATEMENT . . .** The City, acting by and through its City Council in its official capacity hereby certifies, as of the date hereof, that to the best of its knowledge and belief, the information, statements and descriptions pertaining to the City and its affairs herein contain no untrue statements of a material fact and do not omit to state any material fact necessary to make the statements herein, in light of the circumstances under which they were made, not misleading. The information, description and statements concerning entities other than the City, including particularly other governmental entities, have been obtained from sources believed to be reliable, but the City has made no independent investigation or verification of such matters and makes no representation as to the accuracy or completeness thereof. Except as set forth in “CONTINUING DISCLOSURE OF

INFORMATION” herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the City delivers the Certificates to the Purchaser at closing, unless extended by the Purchaser. All information with respect to the resale of the Certificates subsequent to the “end of the underwriting period” is the responsibility of the Purchaser.

**UPDATING THE OFFICIAL STATEMENT DURING UNDERWRITING PERIOD . . .** If, subsequent to the date of the Official Statement to and including the date the Purchaser is no longer required to provide an Official Statement to potential customers who request the same pursuant to the Rule (the earlier of (i) 90 days from the “end of the underwriting period” (as defined in the Rule) and (ii) the time when the Official Statement is available to any person from a nationally recognized repository but in no case less than 25 days after the “end of the underwriting period”), the City learns or is notified by the Purchaser of any adverse event which causes any of the key representations in the Official Statement to be materially misleading, the City will promptly prepare and supply to the Purchaser a supplement to the Official Statement which corrects such representation to the reasonable satisfaction of the Purchaser, unless the Purchaser elects to terminate its obligation to purchase the Bonds as described in the Notice of Sale under the heading “DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS – Delivery.” The obligation of the City to update or change the Official Statement will terminate when the City delivers the Bonds to the Purchaser (the “end of the underwriting period” within the meaning of the Rule), unless the Purchaser provides written notice to the City that less than all of the Bonds have been sold to ultimate customers on or before such date, in which case the obligation to update or change the Official Statement will extend for an additional period of time of 25 days after all of the Bonds have been sold to ultimate customers. In the event the Purchaser provides written notice to the City that less than all of the Bonds have been sold to ultimate customers, the Purchaser agrees to notify the City in writing following the occurrence of the “end of the underwriting period” as defined in the Rule.

/s/ LEE URBANOVSKY

Mayor  
City of Buda, Texas

ATTEST:

/s/ ALICIA RAMIREZ

City Clerk  
City of Buda, Texas

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## **APPENDIX A**

### GENERAL INFORMATION REGARDING THE CITY

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## THE CITY

The City of Buda is a residential and commercial center located on Interstate Highway 35, seventeen miles south of downtown Austin in northeastern Hays County. The City's current population is estimated at 17,232.

**ECONOMY . . .** Founded in 1881 and incorporated as a city in 1948, Buda is one of the fastest growing cities in Texas. Local manufacturers produce cement, concrete, sand and fishing tackle. Along with the residential and commercial growth, the City has successfully promoted tourism in the area which has become a significant economic benefit to the community. Buda was named by Texas Governor Rick Perry as the "Outdoor Capital of Texas" and is home to one of fifteen Cabela's retail outdoor stores in the state. In April of each year, the City hosts Texas' largest Weiner Dog Races, which draws thousands of visitors to the City.

## LABOR MARKET PROFILE

	Hays County	
	May 2021	May 2020
Total Civilian Labor Force	124,046	116,405
Total Unemployment	5,342	12,448
Percent Unemployed	4.3%	10.7%
Total Employment	118,704	103,957

	State of Texas	
	May 2021	May 2020
Total Civilian Labor Force	14,061,243	13,549,965
Total Unemployment	829,251	1,592,840
Percent Unemployed	5.9%	11.8%
Total Employment	13,231,992	11,957,125

Source: Texas Employment Commission, Austin, Texas

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**APPENDIX B**

EXCERPTS FROM THE  
CITY OF BUDA, TEXAS  
ANNUAL FINANCIAL REPORT  
For the Year Ended September 30, 2020

The information contained in this APPENDIX consists of excerpts from the City of Buda, Texas Annual Financial Report for the Year Ended September 30, 2020, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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## REPORT OF INDEPENDENT AUDITORS

To the Honorable Mayor and  
Members of the City Council  
City of Buda, Texas

### Report on the Financial Statements

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

### Management’s Responsibility for the Financial Statements

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

### 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.

To the Honorable Mayor and  
Members of the City Council

## **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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 7 through 16 and budgetary comparison information, required pension system information and other post-employment benefit information on pages 63 through 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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



To the Honorable Mayor and  
Members of the City Council

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Whitley Penn LLP

Austin, Texas  
March 23, 2021



## **CITY OF BUDA, TEXAS**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the City of Buda (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 \$88.3 million (*net position*). Of this amount, \$34.1 million (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net position decreased by \$772,205 thousand as a result of operations.
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$17.2 million, a decrease of \$7.6 million from the prior year. Approximately 44% of this total amount, \$7.6 million, is *available for spending* at the government's discretion (*unassigned fund balance*).

#### **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 comprise three components: (1) government-wide financial statements, (2) fund financial statements and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).

The government-wide financial statements include the City itself (known as the *primary government*), but also the legally separate Buda 4B Development Corporation and the Dupre Local Government Corporation. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 19 through 21 of this report.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**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 *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in 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 fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains nine individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Capital Projects Fund, and Debt Service Fund which are considered to be major funds. Data from the other six governmental funds are combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its General Fund. Budgetary comparison statements have been provided to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found on pages 22 through 25 of this report.

**Proprietary Funds**

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses two enterprise funds to account for its water and wastewater (utility fund), and sanitation activities.

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

The basic proprietary fund financial statements can be found on pages 26 through 28 of this report.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Combining Component Unit Financial Statements**

The City's two discretely presented component units shown in aggregate on the face of the government-wide financial statements have individual information presented in the form of combining statements immediately following the fund financial statements of the primary government.

**Notes to the Basic Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31 through 59 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's general fund budgetary comparison and progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found on pages 63 through 67 of the City's Annual Comprehensive Financial Report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found beginning on page 70 of the City's Annual Comprehensive Financial Report.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. 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 \$88.3 million (net position). At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position, both for the government as a whole, as well as for its separate governmental and business-type activities.

By far, the largest portion of the City's net position, 59%, reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery and equipment), less any related debt used to acquire those assets that is still outstanding. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, 2.0%, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$34.1 million, may be used to meet the government's ongoing obligations to citizens and creditors.

The City's net position decreased by \$772,205 thousand during the current fiscal year. Decreases related to increased expenses related to COVID-19 along with a decrease in certain charges for services due to decreased activity because of COVID-19. Investment earnings were also down due to the economy.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following table provides a summary of the City's net position at September 30, 2020 and 2019:

**Condensed Schedule of Net Position**  
**September 30, 2020 and 2019**  
**Amounts in (000's)**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 20,172	\$ 28,924	\$ 30,870	\$ 42,114	\$ 51,042	\$ 71,038
Capital assets	98,583	94,626	48,966	38,144	147,549	132,770
<b>Total Assets</b>	<u>118,755</u>	<u>123,550</u>	<u>79,836</u>	<u>80,258</u>	<u>198,591</u>	<u>203,808</u>
 <b>Deferred outflows of resources</b>	 817	 1,026	 409	 483	 1,226	 1,509
Current liabilities	3,225	4,455	3,604	2,437	6,829	6,892
Long-term liabilities	62,941	65,619	41,335	43,728	104,276	109,347
<b>Total Liabilities</b>	<u>66,166</u>	<u>70,074</u>	<u>44,939</u>	<u>46,165</u>	<u>111,105</u>	<u>116,239</u>
<b>Deferred inflows of resources</b>	<u>358</u>	<u>19</u>	<u>72</u>	<u>5</u>	<u>430</u>	<u>24</u>
<b>Net position:</b>						
Net investment in capital assets	44,233	44,609	8,137	20,238	52,370	64,847
Restricted	1,809	1,958	-	-	1,809	1,958
Unrestricted	7,006	7,916	27,097	14,333	34,103	22,249
<b>Total Net Position</b>	<u>\$ 53,048</u>	<u>\$ 54,483</u>	<u>\$ 35,234</u>	<u>\$ 34,571</u>	<u>\$ 88,282</u>	<u>\$ 89,054</u>

The City's total assets of \$198.6 million at September 30, 2020, is a decrease of \$5.2 million from the previous fiscal year. This is primarily due to a decrease in cash and investments for capital assets offset by the increase in increase in capital assets and construction in progress. The City's long-term liabilities of \$104.3 million at September 30, 2020, is a decrease of \$5.1 million due primarily to the payment of principal and a decrease in the net pension liability.

Net position consists of three components, net investment in capital assets, restricted net position, and unrestricted net position. The first and largest portion of net position, \$52.4 million reflects the City's investment in capital assets, less any related debt used to acquire or construct those assets that are still outstanding. Net investment in capital assets decreased by \$12.5 primarily as a result of additions to construction in progress and a decrease in the funds used to pay for construction. The City uses the capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The second portion consists of restricted net position totaling \$1.8 million at September 30, 2020, or 2.0% of overall total net position. Restricted net position represents resources that are subject to external restrictions on how they may be used. Restricted net position decreased by \$149 thousand compared to September 30, 2019.

The third portion consists of unrestricted net position totaling \$34.1 million of total net position. Unrestricted net position may be used to meet the City's ongoing obligation to its citizens and creditors. Unrestricted net position increased by \$11.9 million compared to September 30, 2019. The City's combined net position was \$88.3 million as of September 30, 2020. Of the City's \$34.1 million combined unrestricted net position, approximately \$7.0 million was in the governmental activities, and approximately \$27.1 million was in the business-type activities.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following table summarizes the changes in net position for the City for the year ended September 30, 2020 and 2019.

**Condensed Schedule of Changes in Net Position**  
**For the Year Ended September 30, 2020 and 2019**  
**Amounts in (000's)**

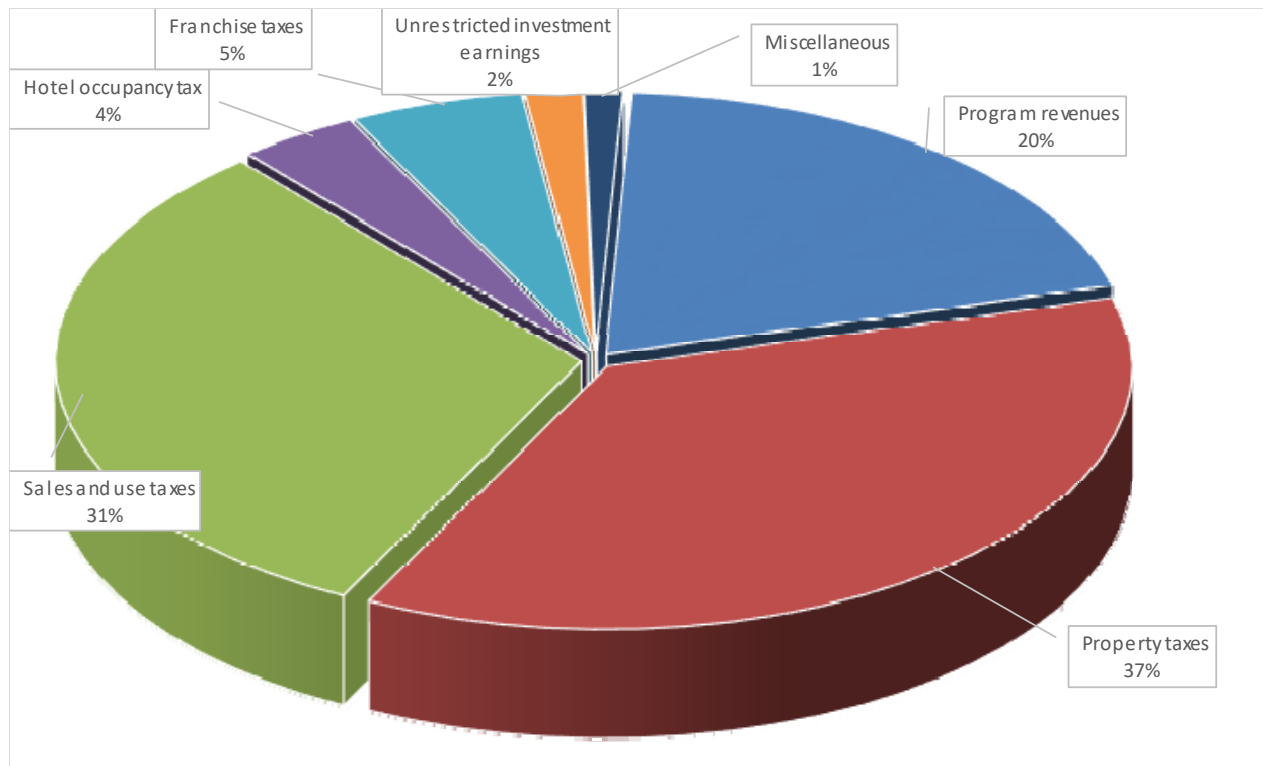
	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenues						
Program revenue:						
Charges for services	\$ 2,073	\$ 3,078	\$ 11,713	\$ 10,740	\$ 13,786	\$ 13,818
Operating grants and contributions	1,435	171	-	-	1,435	171
Capital grants and contributions	-	755	-	-	-	755
General revenues:						
Property taxes	6,446	6,278	-	-	6,446	6,278
Sales and use taxes	5,521	4,935	-	-	5,521	4,935
Hotel occupancy tax	655	819	-	-	655	819
Franchise taxes	939	943	-	-	939	943
Unrestricted investment earnings	310	795	322	854	632	1,649
Miscellaneous	209	91	127	1	336	92
<b>Total Revenues</b>	<b>17,588</b>	<b>17,865</b>	<b>12,162</b>	<b>11,595</b>	<b>29,750</b>	<b>29,460</b>
Expenses:						
City Manager	5,359	5,310	-	-	5,359	5,310
Finance	702	640	-	-	702	640
Streets & Drainage	3,294	975	-	-	3,294	975
Engineering and Planning	1,587	1,498	-	-	1,587	1,498
Fleet Maintenance	382	373	-	-	382	373
Parks and Recreation	1,538	1,538	-	-	1,538	1,538
Library	658	697	-	-	658	697
Economic Development	279	297	-	-	279	297
Public Safety	2,935	2,473	-	-	2,935	2,473
Municipal Court	151	150	-	-	151	150
Animal Control	121	106	-	-	121	106
Information Technology	556	399	-	-	556	399
Interest on long-term debt	2,321	2,195	-	-	2,321	2,195
Water	-	-	8,895	8,101	8,895	8,101
Sanitation	-	-	1,743	1,810	1,743	1,810
<b>Total Expenses</b>	<b>19,883</b>	<b>16,651</b>	<b>10,638</b>	<b>9,911</b>	<b>30,521</b>	<b>26,562</b>
Increase in net position before transfers	(2,295)	1,214	1,524	1,684	(771)	2,898
Transfers	860	1,977	(860)	(1,977)	-	-
Change in net position	(1,435)	3,191	664	(293)	(771)	2,898
<b>Net Position - Beginning</b>	<b>54,483</b>	<b>51,292</b>	<b>34,571</b>	<b>34,864</b>	<b>89,054</b>	<b>86,156</b>
<b>Net Position - Ending</b>	<b>\$ 53,048</b>	<b>\$ 54,483</b>	<b>\$ 35,234</b>	<b>\$ 34,571</b>	<b>\$ 88,283</b>	<b>\$ 89,054</b>

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Governmental Activities**

A significant portion of the City's revenue comes from taxes totaling \$13.6 million. Of this total, \$5.5 million was from sales taxes, which is net of the component units Tax Increment Reinvestment Zone Funds ("TIRZ-1") sales tax payment of \$2.8 million and is not available for use by governmental activities operations. Charges for services include items such as building inspections, subdivision plat reviews, site development reviews, subdivision construction fees, as well as sanitation collections.

Revenue sources for governmental activities were distributed as follows:



Expenses in governmental activities include depreciation expense, which does not involve a current cash outlay. However, certain cash outlay for capital improvements and the principal portion of debt service are not reported here.

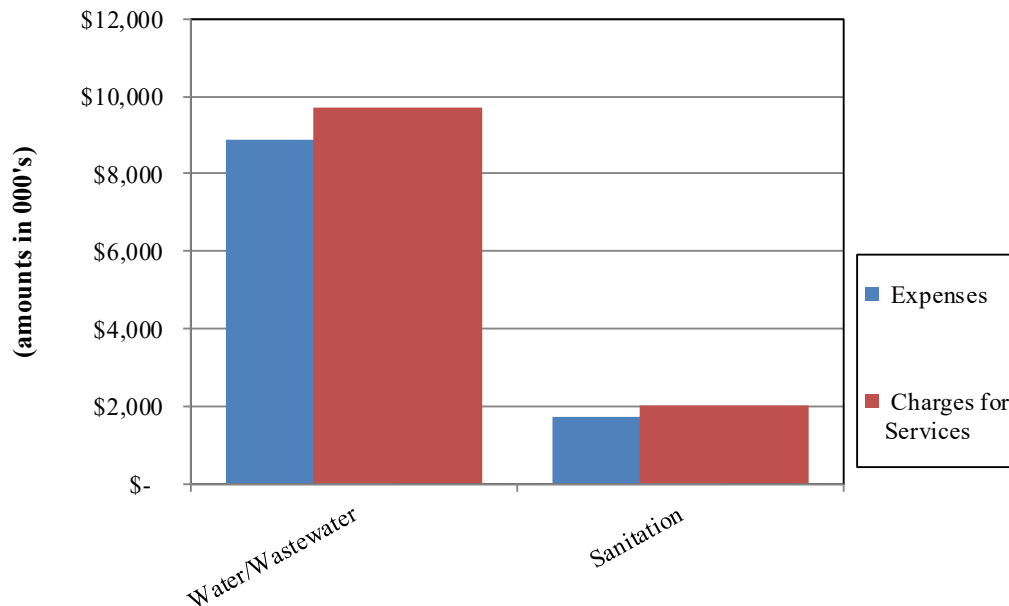
The City's total governmental revenues for the year ended September 30, 2020 decreased by \$277 thousand. The decrease in revenues is mainly the result of a decrease in charges for services, hotel occupancy tax and investment earnings related to the effect of the COVID-19 closures and its effect on the economy. This was offset by an increase in property taxes from an increase in values. The City also received more in grants primarily related to the CARES Act. Expenses increased by \$3.2 million. The increase in expenses is the result of wages and other costs related to the safety of citizens during COVID-19.



**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

**Business-type Activities**

Business-type activities increased the City's net position by approximately \$664 thousand. Operating revenues of the business-type activities increased by approximately \$973 thousand as a result of higher user fees and increased customers for water, wastewater, and sanitation services. Increase in net position before transfers was \$1.8 million. A comparison between expenses relating to water, wastewater and sanitation operations and program revenues (charges for services) for fiscal year 2020 follows:



Revenue sources for business-type activities were almost entirely comprised of charges for water, wastewater, and sanitation services.

**Financial Analysis of the Government's Funds**

As noted earlier, the City used 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.

At the close of the current fiscal year, the City's governmental funds reported a combined ending fund balance of \$17.2 million, a decrease of approximately \$7.6 million from the prior year. Key elements of this decrease are as follows:

- Capital outlay was \$6.8 million in the capital projects fund. This is a decrease from the prior year of \$2.9 million.
- Expenditures increased overall by \$106 thousand. This increase is the result of the decrease in capital expenditures offset by higher General Fund expenditures due to expenditures related to COVID-19 as well as an increase in debt service expenditures and capital outlay in the Parks Capital Fund.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The General Fund is the chief operating fund of the City. At the end of the fiscal year, total fund balance was \$7.6 million. Total fund balance increased by \$569 from fiscal year 2019. The key reasons for this increase is as follows:

- Overall revenues increased, primarily due to sales taxes, property taxes and grants (CARES Act).

At the close of the current fiscal year, the City's debt service fund reported a fund balance of \$792 thousand, a decrease of (\$145) thousand from the prior year. The decrease is due to an increase in principal and interest payments on debt.

At the close of the current fiscal year, the City's capital projects fund reported a fund balance of \$6.5 million, a decrease of \$6.6 million from the prior year. The decrease is due to the capital outlay projects including, but not limited to, Main Street Improvements, City Park construction, expansion of the wastewater treatment plant and other payments for bond prop expenditures.

**Proprietary Funds**

Proprietary funds are used to report the same type of information found in the government-wide financial statements. The City uses enterprise funds to account for its water, wastewater, and sanitation services.

The change in net position from the Water/Wastewater, and Sanitation Funds at the end of the 2020 fiscal year was \$524 thousand and \$140 thousand respectively.

**General Fund Budgetary Highlights**

The difference between the original revenue budget and the final amended budget primarily relates to increases projected in sales tax revenue, Still Budaful stimulus revenue from the EDC and grant revenue from the CARES Act.

Actual revenues were greater than budgeted revenues by \$364 thousand primarily as a result of higher than expected sales taxes and grants.

The General Fund ended the year with a positive budget variance of revenues to expenditures of \$1.2 million.

**Capital Asset and Debt Administration**

**Capital Assets**

At the end of fiscal year 2020, the City's governmental activities and business-type activities had invested \$98.6 million and \$49.0 million, respectively, in a variety of capital assets and infrastructure, as reflected in the following schedule. This represents an increase of \$4.0 million, or 4%, over the end of last fiscal year for the governmental activities' capital assets and a change of \$10.8 million, or 28.4%, for the business-type activities.

**CITY OF BUDA, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)**

The following table shows the balances at September 30, 2020 and 2019 (in \$000's):

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Land	\$ 9,268	\$ 9,268	\$ 193	\$ 193	\$ 9,461	\$ 9,461
Construction in progress	15,939	13,825	16,636	4,981	32,574	18,806
Buildings and improvements	47,844	47,844	122	122	47,966	47,966
Infrastructure	53,404	49,067	42,119	41,896	95,523	90,963
Machinery and equipment	10,970	10,063	7,407	7,108	18,377	17,172
Less accumulated depreciation	(38,841)	(35,441)	(17,512)	(16,156)	(56,353)	(51,597)
<b>Total</b>	<b>\$ 98,583</b>	<b>\$ 94,626</b>	<b>\$ 48,966</b>	<b>\$ 38,144</b>	<b>\$ 147,548</b>	<b>\$ 132,770</b>

Additional information on the City's capital assets can be found in Note 4 of this report.

**Long-term Debt**

At the end of the current fiscal year, the City had total long-term debt outstanding of \$102.4 million. This is a decrease from the prior year due to the payment of principal and the issuance of refunding certificates of obligation. The entire amount of bonded debt is backed by the full faith and credit of the City. A schedule of long-term debt at September 30, 2020 and 2019, follows (in \$000's):

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Totals</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Bonds payable						
General obligation bonds	\$ 47,070	\$ 47,950	\$ 5,960	\$ 4,845	\$ 53,030	\$ 52,795
Certificates of obligation	9,235	10,320	31,170	34,010	40,405	44,330
Bond issuance premiums	4,329	4,596	1,788	1,887	6,117	6,483
Limited tax notes	-	-	1,905	2,255	1,905	2,255
Capital leases	173	239	137	203	311	442
Compensated absences	573	498	67	52	640	550
<b>Total</b>	<b>\$ 61,380</b>	<b>\$ 63,604</b>	<b>\$ 41,027</b>	<b>\$ 43,252</b>	<b>\$ 102,407</b>	<b>\$ 106,855</b>

Additional information on the City's long-term debt can be found in Note 5 of this report.

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors currently affect the City of Buda, Texas and were considered in developing the Fiscal Year 2021 budget.

The unemployment rate for Hays County, of which the City of Buda is located, was 6.4% as of September 2020. This is a 3.7% increase from the 2.7% unemployment rate as of September 2019. This increase in the rate is due to the impact of COVID-19 on the economy. The 6.4% unemployment rate for Hays County was slightly higher than the Austin-Round Rock rate of 6.3% for the same timeframe. The rate for Texas was 8.2%, and the U.S. unemployment rate was 7.8% as of September 2020.

The Fiscal Year 2021 budget for all expenditures total \$54,260,668. This budget includes \$16,035,362 for the General Fund, \$12,639,622 for the Utility Funds, \$14,611,396 for Capital Improvement Funds, \$8,125,034 for Debt Service Funds, \$694,972 for Hotel/Motel Fund, \$1,658,299 for the Local Government Corporation, and \$495,983 for other Funds.

## **CITY OF BUDA, TEXAS**

### ***MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)***

The City of Buda has continued to see an increase in sales tax revenue due to the growth of the local economy. However, effects of the coronavirus had an impact on the increasing trend of total sales tax revenue to the City that the City has experienced in previous years. Actual sales tax revenue collections received from the State's Comptroller's Office for Fiscal Year 2020 was 9.9% higher than the total sales tax revenue for Fiscal Year 2019. Whereas, during Fiscal Year 2019, the total sales tax revenue received was 11.9% higher than in Fiscal Year 2018. Fiscal Year 2021 budgeted revenues for the City's portion of sales tax were based on a zero percent increase over last year's projected sales tax, as a result of the unpredictability of sales tax revenue due to the impact of COVID-19. Therefore, the City's Fiscal Year 2021 adopted budget included \$5,326,000 in the City's portion of sales tax revenue, the same as the amount projected for the City's portion for Fiscal Year 2020. The total budgeted sales taxes, including the City's portion and the EDC portion, are 53% of total General Fund revenues. Total property tax values increased by 7.2%, or \$130.9 million, going from \$1,825,038,247 in tax year 2019 to \$1,955,941,067 in tax year 2020. The increase in values included \$55 million in new construction and improvements. The City's tax rate decreased by 0.0073%, going from \$0.3496 per \$100 of value in Fiscal Year 2020 to \$0.3423 per \$100 of value in Fiscal Year 2021. With this decrease in the property tax rate, the City of Buda will continue to maintain one of the lowest property tax rates in the region. Property tax revenues account for 15% of total General Fund revenues. The debt/I&S portion of the tax rate is \$0.2276, a \$.0124 decrease from \$0.2400 the prior year. The maintenance and operation/M&O portion of the tax rate is \$0.1147, a \$0.0051 increase from \$0.1096 the prior year.

Fiscal Year 2021 budgeted charges for services revenues for the water and wastewater enterprise funds decreases by 1%, or approximately \$11 thousand, under the prior year, going from \$8.406 million in Fiscal Year 2020 to \$8.395 million in Fiscal Year 2021. An average increase in the water rate structure of 3% is included in the budget, and the wastewater average rate increase of 4% is included.

The total capital improvement projects planned for the 2021 fiscal year is approximately \$14.6 million. This amount includes projects from prior fiscal years that have carried over into the new fiscal year. A significant amount of capital improvement projects funding for the 2021 fiscal year includes rollover funding from the 2014 bond propositions, which includes \$115,533 for Prop 1 – Municipal Facility (O&M), \$33,398 for Prop 2 – Public Safety Facility (O&M), \$346,487 million for Prop 3 – Streets, and \$5.2 for Prop 4 – Drainage.

The General Fund budget for Fiscal Year 2021 is structurally balanced and exceeds the required fund balance reserve policy of three and one-half months of operating costs by \$758 thousand. The City will continue to operate conservatively and monitor the economy and its affect on the City's budget as a result of economic changes due to the coronavirus (COVID-19).

### **Requests for Information**

This report is designed to provide the City Council, citizens, customers, bond rating agencies, investors, and creditors with a general overview of the City's finances. If you have any questions about this report or need additional financial statement information, contact:

Finance Director  
City of Buda  
405 E. Loop Street, Bldg. 100  
Buda, Texas 78610  
(512) 312-0084

## **BASIC FINANCIAL STATEMENTS**



# CITY OF BUDA, TEXAS CITY OF BUDA, TEXAS

## STATEMENT OF NET POSITION

September 30, 2020

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents	\$ 15,567,349	\$ 29,369,758	\$ 44,937,107	\$ 5,081,562
Investments	2,032,262	-	2,032,262	-
Receivables, net of allowance for uncollectibles:				
Property taxes	39,629	-	39,629	-
Sales and use taxes	1,501,494	-	1,501,494	782,959
Customers	1,321	1,320,286	1,321,607	-
Other	1,020,053	-	1,020,053	109,509
Due from component unit	9,533	-	9,533	21,523
Prepaid expenses	-	-	-	84,250
Restricted cash and cash equivalents	-	179,536	179,536	1,708,886
Capital assets, not subject to depreciation	25,206,292	16,828,651	42,034,943	-
Capital assets, net of depreciation	73,376,239	32,136,967	105,513,206	28,098
<b>Total Capital Assets</b>	<u>98,582,531</u>	<u>48,965,618</u>	<u>147,548,149</u>	<u>28,098</u>
<b>Total Assets</b>	<u>118,754,172</u>	<u>79,835,198</u>	<u>198,589,370</u>	<u>7,816,787</u>
<b>Deferred Outflows of Resources</b>				
Deferred charge on refunding	-	243,258	243,258	-
Deferred outflows relating to OPEB activities	30,322	2,800	33,122	-
Deferred outflows relating to pension activities	786,724	163,400	950,124	-
<b>Total Deferred Outflows of Resources</b>	<u>817,046</u>	<u>409,458</u>	<u>1,226,504</u>	<u>-</u>
<b>Liabilities</b>				
Accounts payable	1,768,434	2,205,736	3,974,170	287,049
Accrued expenses	1,188,574	1,015,434	2,204,008	-
Accrued interest	267,832	164,921	432,753	11,412,672
Due to Dupre Local Government Corporation	-	-	-	38,299
Due to primary government	-	-	-	9,533
Customer deposits	-	217,470	217,470	-
Long-term liabilities:				
Due within one year	2,386,807	2,334,595	4,721,402	215,000
Due in more than one year	58,993,174	38,692,637	97,685,811	31,147,567
Total OPEB liability	143,845	13,500	157,345	-
Net pension liability	1,416,950	294,203	1,711,153	-
<b>Total Liabilities</b>	<u>66,165,616</u>	<u>44,938,496</u>	<u>111,104,112</u>	<u>43,110,120</u>
<b>Deferred Inflows of Resources</b>				
Deferred inflows relating to pension activities	339,590	70,500	410,090	-
Deferred inflows relating to OPEB activities	18,253	1,700	19,953	-
<b>Total Deferred Inflows of Resources</b>	<u>357,843</u>	<u>72,200</u>	<u>430,043</u>	<u>-</u>
<b>Net Position</b>				
Net investment in capital assets	44,233,388	8,137,158	52,370,546	28,098
Restricted for:				
Debt service	552,055	-	552,055	1,140,615
Public safety	33,884	-	33,884	-
Tourism	1,222,910	-	1,222,910	-
Unrestricted	7,005,522	27,096,802	34,102,324	(36,462,046)
<b>Total Net Position</b>	<u>\$ 53,047,759</u>	<u>\$ 35,233,960</u>	<u>\$ 88,281,719</u>	<u>\$ (35,293,333)</u>

**CITY OF BUDA, TEXAS CITY OF BUDA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2020**

*Page 1 of 2*

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government</b>				
Governmental Activities:				
City Manager	\$ 5,358,720	\$ 394,710	\$ 18,914	\$ -
Finance	701,516	-	-	-
Streets & Drainage	3,293,816	-	-	-
Engineering and Planning	1,587,383	1,165,884	35,000	-
Fleet Maintenance	382,524	-	-	-
Parks and Recreation	1,537,807	302,463	292,000	-
Library	657,823	6,958	20,874	-
Economic Development	279,543	-	-	-
Public Safety	2,934,747	25,186	1,068,706	-
Municipal Court	150,865	178,056	-	-
Animal Control	121,387	40	-	-
Information Technology	556,231	-	-	-
Interest on long-term debt	2,321,086	-	-	-
<b>Total governmental activities</b>	<u>19,883,448</u>	<u>2,073,297</u>	<u>1,435,494</u>	<u>-</u>
Business-type activities:				
Water and Wastewater Fund	8,894,767	9,700,252	-	-
Sanitation	1,743,011	2,012,698	-	-
Total business-type activities	<u>10,637,778</u>	<u>11,712,950</u>	<u>-</u>	<u>-</u>
<b>Total primary government</b>	<u>\$ 30,521,226</u>	<u>\$ 13,786,247</u>	<u>\$ 1,435,494</u>	<u>\$ -</u>
<b>Component Units</b>				
Buda 4B Development Corporation	\$ 1,785,756	\$ -	\$ -	\$ -
Dupre Local Government Corporation	2,900,701	-	-	-
Total component units	<u>\$ 4,686,457</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>



**CITY OF BUDA, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended September 30, 2020**

Page 2 of 2

	Net (Expense) Revenue and Changes in Net Position			Discretely Presented Component Units
	Primary Government			
Functions/Programs	Governmental Activities	Business-type Activities	Total	Governmental Activities
<b>Primary government</b>				
Governmental Activities:				
City Manager	\$ (4,945,096)	\$ -	\$ (4,945,096)	
Finance	(701,516)	-	(701,516)	
Streets & Drainage	(3,293,816)	-	(3,293,816)	
Engineering and Planning	(386,499)	-	(386,499)	
Fleet Maintenance	(382,524)	-	(382,524)	
Parks and Recreation	(943,344)	-	(943,344)	
Library	(629,991)	-	(629,991)	
Economic Development	(279,543)	-	(279,543)	
Public Safety	(1,840,855)	-	(1,840,855)	
Municipal Court	27,191	-	27,191	
Animal Control	(121,347)	-	(121,347)	
Information Technology	(556,231)	-	(556,231)	
Interest on long-term debt	(2,321,086)	-	(2,321,086)	
<b>Total governmental activities</b>	<b>(16,374,657)</b>	<b>-</b>	<b>(16,374,657)</b>	
Business-type activities:				
Water and Wastewater Fund	-	805,485	805,485	
Sanitation	-	269,687	269,687	
Total business-type activities	-	1,075,172	1,075,172	
<b>Total primary government</b>	<b>\$ (16,374,657)</b>	<b>\$ 1,075,172</b>	<b>\$ (15,299,485)</b>	
<b>Component Units</b>				
Buda 4B Development Corporation				\$ (1,785,756)
Dupre Local Government Corporation				(2,900,701)
Total component units				<b>(4,686,457)</b>
<b>General revenues:</b>				
Taxes:				
Property taxes	6,446,103	-	6,446,103	911,565
Sales and use taxes	5,520,307	-	5,520,307	3,440,069
Hotel occupancy taxes	654,415	-	654,415	88,061
Franchise taxes	938,921	-	938,921	-
Unrestricted investment earnings	309,636	321,634	631,270	38,745
Miscellaneous	209,420	126,844	336,264	-
<b>Net transfers</b>	<b>860,403</b>	<b>(860,403)</b>	<b>-</b>	<b>-</b>
<b>Total general revenues and transfers</b>	<b>14,939,205</b>	<b>(411,925)</b>	<b>14,527,280</b>	<b>4,478,440</b>
Change in net position	(1,435,452)	663,247	(772,205)	(208,017)
<b>Net Position - Beginning</b>	<b>54,483,211</b>	<b>34,570,713</b>	<b>89,053,924</b>	<b>(35,085,316)</b>
<b>Net Position - Ending</b>	<b>\$ 53,047,759</b>	<b>\$ 35,233,960</b>	<b>\$ 88,281,719</b>	<b>\$ (35,293,333)</b>

**CITY OF BUDA, TEXAS**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**September 30, 2020**

	<b>General Fund</b>	<b>Debt Service</b>	<b>Capital Projects Fund</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets</b>					
Cash and cash equivalents	\$ 4,989,942	\$ 792,446	\$ 7,028,199	\$ 2,756,762	\$ 15,567,349
Investments	2,032,262	-	-	-	2,032,262
Receivables, net of allowance for uncollectibles:					
Property taxes	12,188	27,441	-	-	39,629
Sales and use taxes	1,501,494	-	-	-	1,501,494
Customers	1,321	-	-	-	1,321
Other	1,020,053	-	-	-	1,020,053
Due from component unit	9,533	-	-	-	9,533
<b>Total Assets</b>	<b>\$ 9,566,793</b>	<b>\$ 819,887</b>	<b>\$ 7,028,199</b>	<b>\$ 2,756,762</b>	<b>\$ 20,171,641</b>
<b>Liabilities</b>					
Accounts payable	\$ 915,872	\$ -	\$ 402,657	\$ 127,851	\$ 1,446,380
Accrued expenditures	1,016,466	-	167,513	343,131	1,527,110
<b>Total Liabilities</b>	<b>1,932,338</b>	<b>-</b>	<b>570,170</b>	<b>470,982</b>	<b>2,973,490</b>
<b>Deferred Inflows of Resources</b>					
Unavailable revenues - property taxes	12,211	27,417	-	-	39,628
<b>Total Deferred Inflows of Resources</b>	<b>12,211</b>	<b>27,417</b>	<b>-</b>	<b>-</b>	<b>39,628</b>
<b>Fund Balances</b>					
Restricted:					
Debt service	-	792,470	-	-	792,470
Capital projects	-	-	6,458,029	-	6,458,029
Public safety	-	-	-	33,884	33,884
Tourism	-	-	-	1,222,910	1,222,910
Assigned:					
Parks	-	-	-	1,016,570	1,016,570
Library	-	-	-	12,416	12,416
Unassigned	7,622,244	-	-	-	7,622,244
<b>Total Fund Balances</b>	<b>7,622,244</b>	<b>792,470</b>	<b>6,458,029</b>	<b>2,285,780</b>	<b>17,158,523</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 9,566,793</b>	<b>\$ 819,887</b>	<b>\$ 7,028,199</b>	<b>\$ 2,756,762</b>	<b>\$ 20,171,641</b>

**CITY OF BUDA, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
*September 30, 2020*

Total fund balance, governmental funds	\$ 17,158,523
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	98,582,531
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.

Unavailable revenue	39,628
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Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position

Bonds and certificates payable, at maturity	(56,305,000)
Bond premiums	(4,328,838)
Capital leases	(173,334)
Compensated absences	(556,327)
Accrued interest payable	(267,832)

Pension and OPEB liabilities and related deferred outflows and inflows of resources due not represent current liabilities and are not reported in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Deferred outflows - pension related items	786,724
Net Pension Liability	(1,416,950)
Deferred inflows - pension related items	(339,590)
Deferred outflow - OPEB activity	30,322
Total OPEB liability	(143,845)
Deferred inflows - OPEB items	(18,253)

Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 53,047,759</u>
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**CITY OF BUDA, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended September 30, 2020**

	<u>General Fund</u>	<u>Debt Service</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 2,012,860	\$ 4,405,557	\$ -	\$ -	\$ 6,418,417
Sales and use taxes	8,347,110	-	-	-	8,347,110
Hotel occupancy taxes	-	-	-	654,415	654,415
Franchise taxes	938,921	-	-	-	938,921
Fines and forfeitures	170,401	-	-	-	170,401
Licenses and permits	1,096,121	-	-	2,230	1,098,351
Fees and charges for services	890,620	-	-	27,828	918,448
Grant and contributions	1,152,620	-	23,867	198,828	1,375,315
Investment earnings	166,152	-	143,484	3,978	313,614
Miscellaneous	148,170	-	-	3,548	151,718
<b>Total Revenues</b>	<u>14,922,975</u>	<u>4,405,557</u>	<u>167,351</u>	<u>890,827</u>	<u>20,386,710</u>
<b>Expenditures</b>					
Current:					
City Manager	992,525	-	-	-	992,525
City Clerk	252,121	-	-	-	252,121
Human Resources	300,023	-	-	-	300,023
Non-departmental	2,320,237	-	-	-	2,320,237
Finance	695,082	-	-	-	695,082
Economic Development	3,105,580	-	-	404,879	3,510,459
Library	631,136	-	-	22,196	653,332
Parks and Recreation	955,493	-	-	-	955,493
Planning	723,128	-	-	-	723,128
Engineering	212,547	-	-	-	212,547
Main Street	251,640	-	-	-	251,640
Streets and Drainage	1,132,940	-	-	-	1,132,940
Facilities Maintenance	244,420	-	-	-	244,420
Fleet Maintenance	133,808	-	-	-	133,808
Municipal Court	150,201	-	-	298	150,499
Police	2,410,292	-	-	2,056	2,412,348
Animal Control	110,390	-	-	-	110,390
Information Technology	553,708	-	-	-	553,708
Capital outlay	281,113	-	6,798,292	1,494,683	8,574,088
Debt service:					
Principal	66,099	1,975,000	-	-	2,041,099
Interest and other charges	7,311	2,583,765	-	-	2,591,076
<b>Total Expenditures</b>	<u>15,529,794</u>	<u>4,558,765</u>	<u>6,798,292</u>	<u>1,924,112</u>	<u>28,810,963</u>
Revenues over (under) expenditures	<u>(606,819)</u>	<u>(153,208)</u>	<u>(6,630,941)</u>	<u>(1,033,285)</u>	<u>(8,424,253)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,365,216	5,512	-	189,865	1,560,593
Transfers out	(189,865)	-	-	(510,325)	(700,190)
Refunding bonds issued	-	370,000	-	-	370,000
Payment to refunded bond escrow agent	-	(366,900)	-	-	(366,900)
<b>Total Other Financing Sources (Uses)</b>	<u>1,175,351</u>	<u>8,612</u>	<u>-</u>	<u>(320,460)</u>	<u>863,503</u>
Net changes in fund balances	568,532	(144,596)	(6,630,941)	(1,353,745)	(7,560,750)
<b>Fund Balances - Beginning of Year</b>	<u>7,053,712</u>	<u>937,066</u>	<u>13,088,970</u>	<u>3,639,525</u>	<u>24,719,273</u>
<b>Fund Balances - End of Year</b>	<u>\$ 7,622,244</u>	<u>\$ 792,470</u>	<u>\$ 6,458,029</u>	<u>\$ 2,285,780</u>	<u>\$ 17,158,523</u>

**CITY OF BUDA, TEXAS****RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES*****For the Year Ended September 30, 2020***

Net change in fund balances - total governmental funds: \$ (7,560,750)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The capital asset expenditures are allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$7,356,291 exceeded depreciation of - \$3,399,815 in the current period. 3,956,476

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned. 27,686

Governmental funds report the proceeds of bonds or certificates of obligation issued as an other financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities. (370,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Debt principal payments	2,335,000
Capital lease payments	66,099
Amortization of bond premiums	267,613

Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Interest payable	9,277
Compensated absences payable	(73,203)
Changes in pension liabilities and related deferred outflows and inflows of resources	(57,337)
Changes in OPEB liabilities and related deferred outflows and inflows of resources	(36,313)

Change in net position of governmental activities	<u>\$ (1,435,452)</u>
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**CITY OF BUDA, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**September 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water/Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 29,110,481	\$ 259,277	\$ 29,369,758
Receivables, net of allowance for uncollectibles	1,009,530	310,756	1,320,286
Restricted cash and cash equivalents	179,536	-	179,536
<b>Total Current Assets</b>	<b>30,299,547</b>	<b>570,033</b>	<b>30,869,580</b>
Non-current assets:			
Capital assets not being depreciated:			
Land	193,047	-	193,047
Construction in progress	16,635,604	-	16,635,604
Capital assets being depreciated:			
Infrastructure	42,119,246	-	42,119,246
Equipment and furniture	7,407,251	-	7,407,251
Buildings and improvements	121,995	-	121,995
Less accumulated depreciation	(17,511,525)	-	(17,511,525)
<b>Total Non-Current Assets</b>	<b>48,965,618</b>	<b>-</b>	<b>48,965,618</b>
<b>Total Assets</b>	<b>79,265,165</b>	<b>570,033</b>	<b>79,835,198</b>
<b>Deferred Outflows of Resources</b>			
Deferred charge on refunding	243,258	-	243,258
Deferred outflows relating to OPEB activities	2,800	-	2,800
Deferred outflows relating to pension activities	163,400	-	163,400
<b>Total Deferred Outflows of Resources</b>	<b>409,458</b>	<b>-</b>	<b>409,458</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	2,048,864	170,202	2,219,066
Accrued expenses	1,002,104	-	1,002,104
Accrued interest	164,921	-	164,921
Customer deposits	217,470	-	217,470
<b>Total Current Liabilities</b>	<b>3,433,359</b>	<b>170,202</b>	<b>3,603,561</b>
Non-current liabilities:			
Due within one year	2,308,131	-	2,308,131
Due in more than one year	38,719,101	-	38,719,101
Total OPEB liability	13,500	-	13,500
Net pension liability	294,203	-	294,203
<b>Total Non-Current Liabilities</b>	<b>41,334,935</b>	<b>-</b>	<b>41,334,935</b>
<b>Total Liabilities</b>	<b>44,768,294</b>	<b>170,202</b>	<b>44,938,496</b>
<b>Deferred Inflows of Resources</b>			
Deferred inflows relating to pension activities	70,500	-	70,500
Deferred inflows relating to OPEB activities	1,700	-	1,700
<b>Total Deferred Inflows of Resources</b>	<b>72,200</b>	<b>-</b>	<b>72,200</b>
<b>Net Position</b>			
Net investment in capital assets	8,137,158	-	8,137,158
Unrestricted	26,696,971	399,831	27,096,802
<b>Total Net Position</b>	<b>\$ 34,834,129</b>	<b>\$ 399,831</b>	<b>\$ 35,233,960</b>

**CITY OF BUDA, TEXAS****STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION****PROPRIETARY FUND***For the Year Ended September 30, 2020*

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water/Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>Operating Revenues</b>			
Charges for services	\$ 8,597,104	\$ 2,012,698	\$ 10,609,802
Impact fees	1,103,148	-	1,103,148
<b>Total Operating Revenues</b>	<u>9,700,252</u>	<u>2,012,698</u>	<u>11,712,950</u>
<b>Operating Expenses</b>			
Personnel services	1,638,465	-	1,638,465
Supplies and materials	174,342	17,561	191,903
Water and wastewater contracts	2,332,811	-	2,332,811
Other contracted services	924,581	1,660,801	2,585,382
Other operating costs	1,078,179	64,649	1,142,828
Depreciation	1,355,670	-	1,355,670
<b>Total Operating Expenses</b>	<u>7,504,048</u>	<u>1,743,011</u>	<u>9,247,059</u>
<b>Operating Income (Loss)</b>	<u>2,196,204</u>	<u>269,687</u>	<u>2,465,891</u>
<b>Non-operating Revenues (Expenses)</b>			
Interest and investment revenue	321,634	-	321,634
Miscellaneous revenue	126,844	-	126,844
Interest expense	(1,390,719)	-	(1,390,719)
<b>Total Non-operating Revenues (Expenses)</b>	<u>(942,241)</u>	<u>-</u>	<u>(942,241)</u>
<b>Income (Loss) Before Transfers</b>	<u>1,253,963</u>	<u>269,687</u>	<u>1,523,650</u>
Transfers out	(730,403)	(130,000)	(860,403)
Change in net position	523,560	139,687	663,247
<b>Total Net Position - Beginning of Year</b>	<u>34,310,569</u>	<u>260,144</u>	<u>34,570,713</u>
<b>Total Net Position - End of Year</b>	<u>\$ 34,834,129</u>	<u>\$ 399,831</u>	<u>\$ 35,233,960</u>

**CITY OF BUDA, TEXAS**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
**For the Year Ended September 30, 2020**

	<b>Business-type Activities - Enterprise Funds</b>		
	<b>Water/Wastewater Fund</b>	<b>Sanitation Fund</b>	<b>Total</b>
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 9,806,231	\$ 1,987,271	\$ 11,793,502
Disbursed for personnel services	(1,146,688)	-	(1,146,688)
Disbursed for goods and services	(3,906,084)	(1,718,498)	(5,624,582)
<b>Net cash provided by (used in) operating activities</b>	<b>4,753,459</b>	<b>268,773</b>	<b>5,022,232</b>
<b>Cash Flows From Non-capital Financing Activities</b>			
Transfers to other funds	(730,403)	(130,000)	(860,403)
Other income	126,844	-	126,844
<b>Net cash used by (used in) non-capital financing activities</b>	<b>(603,559)</b>	<b>(130,000)</b>	<b>(733,559)</b>
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from refunding bonds	1,730,000	-	1,730,000
Proceeds from refunding bonds - premium	268,260	-	268,260
Principal payments on debt	(3,805,000)	-	(3,805,000)
Principal payments on capital lease	(65,674)	-	(65,674)
Interest paid on capital debt	(1,210,583)	-	(1,210,583)
Acquisition and construction of capital assets	(12,517,948)	-	(12,517,948)
<b>Net cash used by (used in) capital and related financing activities</b>	<b>(15,600,945)</b>	<b>-</b>	<b>(15,600,945)</b>
<b>Cash Flows From Investing Activities</b>			
Interest received	321,634	-	321,634
<b>Net cash provided (used) by investing activities</b>	<b>321,634</b>	<b>-</b>	<b>321,634</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(11,129,411)</b>	<b>138,773</b>	<b>(10,990,638)</b>
Cash and cash equivalents - beginning of year	40,419,428	120,504	40,539,932
<b>Cash and cash equivalents - end of year</b>	<b>\$ 29,290,017</b>	<b>\$ 259,277</b>	<b>\$ 29,549,294</b>
Unrestricted cash and cash equivalents	\$ 29,110,481	\$ 259,277	\$ 29,369,758
Restricted cash and cash equivalents	179,536	-	179,536
	<b>\$ 29,290,017</b>	<b>\$ 259,277</b>	<b>\$ 29,549,294</b>
<b>Reconciliation of operating income to net cash provided by operating activities</b>			
Operating income	\$ 2,196,204	\$ 269,687	\$ 2,465,891
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	1,355,670	-	1,355,670
(Increase) decrease in accounts receivable	98,743	(25,427)	73,316
(Increase) decrease in deferred outflows relating to pension activity	79,091	-	79,091
(Increase) decrease in deferred outflows relating to OPEB activity	224	-	224
Increase (decrease) in accounts payable	603,829	24,513	628,342
Increase (decrease) in accrued expenses	546,109	-	546,109
Increase (decrease) in customer deposits	7,236	-	7,236
Increase (decrease) in accrued compensated absences	(32,772)	-	(32,772)
Increase (decrease) in net pension liability	(157,968)	-	(157,968)
Increase (decrease) in total OPEB liability	(10,188)	-	(10,188)
Increase (decrease) in deferred inflows relating to pension activity	68,622	-	68,622
Increase (decrease) in deferred inflows relating to OPEB activity	(1,341)	-	(1,341)
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 4,753,459</b>	<b>\$ 268,773</b>	<b>\$ 5,022,232</b>



**CITY OF BUDA, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF NET POSITION**  
**September 30, 2020**

	<b>Buda 4B Development Corporation</b>	<b>Dupre Local Government Corporation</b>	<b>Total</b>
<b>Assets</b>			
Current assets:			
Cash and cash equivalents	\$ 5,081,562	\$ -	\$ 5,081,562
Receivables:			
Sales and use taxes	736,861	46,098	782,959
Other	-	109,509	109,509
Due from other governments	-	21,523	21,523
Prepaid expenses	84,250		84,250
Restricted cash and cash equivalents	568,271	1,140,615	1,708,886
<b>Total Current Assets</b>	<b>6,470,944</b>	<b>1,317,745</b>	<b>7,788,689</b>
Non-current assets:			
Capital assets being depreciated:			
Equipment and furniture	35,123	-	35,123
Less accumulated depreciation	(7,025)	-	(7,025)
<b>Total Non-current Assets</b>	<b>28,098</b>	<b>-</b>	<b>28,098</b>
<b>Total Assets</b>	<b>6,499,042</b>	<b>1,317,745</b>	<b>7,816,787</b>
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	287,049	-	287,049
Accrued interest	12,144	11,400,528	11,412,672
Due to primary government	-	9,533	9,533
Due to Dupre Local Government Corporation	38,299	-	38,299
<b>Total Current Liabilities</b>	<b>337,492</b>	<b>11,410,061</b>	<b>11,747,553</b>
Non-current Liabilities:			
Due within one year	215,000	-	215,000
Due in more than one year	872,567	30,275,000	31,147,567
<b>Total Non-current Liabilities</b>	<b>1,087,567</b>	<b>30,275,000</b>	<b>31,362,567</b>
<b>Total Liabilities</b>	<b>1,425,059</b>	<b>41,685,061</b>	<b>43,110,120</b>
<b>Net Position</b>			
Investment in capital assets	28,098	-	28,098
Restricted net position	-	1,140,615	1,140,615
Unrestricted (deficit)	5,045,885	(41,507,931)	(36,462,046)
<b>Total Net Position (deficit)</b>	<b>\$ 5,073,983</b>	<b>\$ (40,367,316)</b>	<b>\$ (35,293,333)</b>

**CITY OF BUDA, TEXAS**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**COMBINING STATEMENT OF ACTIVITIES**  
*For the Year Ended September 30, 2020*

	<b>Buda 4B Development Corporation</b>	<b>Dupre Local Government Corporation</b>	<b>Total</b>
<b>General Revenues</b>			
Taxes:			
Property taxes	\$ -	\$ 911,565	\$ 911,565
Sales taxes	2,826,802	613,267	3,440,069
Hotel occupancy taxes	-	88,061	88,061
Unrestricted investment earnings	34,608	4,137	38,745
Total general revenues and transfers	<u>2,861,410</u>	<u>1,617,030</u>	<u>4,478,440</u>
<b>Expenses</b>			
Economic development	1,785,756	-	1,785,756
Interest on long-term debt	-	2,673,851	2,673,851
Cabela's, Inc. payments	-	219,850	219,850
Total expenses	<u>1,785,756</u>	<u>2,900,701</u>	<u>4,686,457</u>
Change in net position	1,075,654	(1,283,671)	(208,017)
<b>Net Position - Beginning</b>	<u>3,998,329</u>	<u>(39,083,645)</u>	<u>(35,085,316)</u>
<b>Net Position - Ending</b>	<u>\$ 5,073,983</u>	<u>\$ (40,367,316)</u>	<u>\$ (35,293,333)</u>

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**

**Note 1 - Organization**

The City of Buda, Texas (the “City”), is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City’s Home Rule Charter. The City first adopted its Home Rule Charter in 2007. The City operates under the Council-Manager form of government where the Mayor and six Councilmembers are elected for staggered three-year terms. The City Manager is the chief administrative officer for the City.

The City provides the following services: public safety (police), highways and streets, water and sanitary sewer utilities, sanitation services, culture-recreation, public improvements, planning and zoning, and general administrative services.

**Note 2 - Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity as discretely presented component units.

**Buda 4B Development Corporation**

Buda 4B Development Corporation (“EDC”) is a nonprofit corporation organized under the laws of the state of Texas to provide economic development in and for the benefit of the City. The City appoints the board of directors and approves the annual budget. EDC’s financial statements are presented discretely alongside the financial statements of the City.

**Dupre Local Government Corporation**

Dupre Local Government Corporation (“LGC”) was formed in May 2004. It is a nonprofit corporation organized under the laws of the state of Texas for the benefit of the City. LGC receives sales taxes and property taxes according to the agreement for the Tax Increment Reinvestment Zone-1 (“TIRZ-1”) among the City, Hays County, and Cabela’s, Inc. (“Cabela’s”). The City appoints the board of directors and approves the annual budget. LGC’s financial statements are presented discretely alongside the financial statements of the City.

Separately issued audited financial statements are not issued for the discretely presented component units.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**A. Reporting Entity (continued)**

**Dupre Local Government Corporation (continued)**

The City is an independent political subdivision of the State of Texas governed by an elected city council and a mayor and is considered a primary government. As required by U.S. generally accepted accounting principles, these financial statements have been prepared based on considerations regarding the potential for inclusion of component units, which are other entities or organizations that are financially accountable to the City. Blended component units, although legally separate entities, are, in substance, part of the government's operations, and as a result, data from these units are combined with data of the primary government. The City had no such blended component units. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide statements to emphasize that they are legally separate from the primary government. Based on these considerations, the City's financial statements include the following discretely presented component units: the Buda 4B Development Corporation and the Dupre Local Government Corporation. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

**B. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. These statements include all activities of the primary government and its component units. 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 function or segment 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 function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Non-major governmental funds are combined and reported in a separate column in the fund financial statements. The City has two proprietary funds.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

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

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are reported using the economic resources measurement focus, as are the proprietary fund financial statements. The government-wide statements, proprietary fund statements, and fiduciary fund financial statements are reported using the accrual basis of accounting. Revenues are recognized 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 if they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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.

General property taxes are recorded as receivables when levied and as revenue in the period for which they were levied and become available. Property taxes receivable have been recorded as deferred inflows of resources at year-end.

Property taxes collected within 60 days subsequent to September 30, 2019, have not been recorded as revenue as the amount is not considered material. Franchise taxes and sales taxes relating to underlying transactions that occurred prior to September 30, 2019, have been recorded as receivables and revenue. Licenses and permits and fines are not susceptible to accrual since they are not measurable until received. Revenue on federal and state cost-reimbursement grants is accrued when the related expenditures are incurred. Interest is recorded when earned.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund are property taxes, sales and use taxes, franchise taxes, licenses and permits, and fines and forfeitures. Expenditures are for general government, public safety, public works and parks and recreation.

The *Capital Projects Fund* is used to account for the accumulation of resources for the construction of capital projects through debt proceeds and other governmental activity resources.

The *Debt Service Fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The principal source of revenue for debt service is local property taxes.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

The City has two proprietary funds:

The *Water/Wastewater Fund* is used to account for operations of water and wastewater activities and the construction of related facilities. The *Sanitation Fund* accounts for the activities of the City's sanitation service operations.

These funds are financed and operated in a manner similar to private business enterprises - where the intent of the City is that the cost (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The acquisition, maintenance and improvement of the physical plant facilities required to provide these goods and services are financed from existing cash resources, the issuance of bonds (revenue or general obligation), impact fees and other City funds.

Amounts reported as program revenues include (1) charges to customers or applicants for goods, services or privileges provided, (2) operating grants and contributions and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the water and wastewater enterprise fund are charges to customers for sales and services. Operational expenses for the fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as non-operating revenues and expenses.

Net position is categorized into three components - net investment in capital assets; restricted; and unrestricted. These classifications are as follows:

- Net investment in capital assets - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes or other borrowings.
- Restricted - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted net position - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets."

##### **D. Cash and Cash Equivalents**

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools ("TexPool") and short-term investments with original maturities of three months or less from the date of acquisition. For purposes of the statement of cash flows - proprietary funds, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased. The City's local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**E. Investments**

Investments are reported at fair value. Fair values are based on published market rates. Current investments have an original maturity greater than three months but less than one year at the time of purchase. Non-current investments have an original maturity of greater than one year at the time of purchase.

The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset's fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs.

**F. Receivable and Payable Balances**

The City believes sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. The City records an allowance for accounts older than 90 days.

**G. Interfund Activity**

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

**H. Prepaid Items**

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

**I. Capital Assets**

Capital assets are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records exist. Donated capital assets are valued at their acquisition value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related capital assets using the straight line method, as applicable.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 2 - Summary of Significant Accounting Policies (continued)**

**I. Capital Assets (continued)**

<u>Asset</u>	<u>Estimated Useful Lives</u>
Buildings and Improvements	20-40 years
Infrastructure	10-40 years
Vehicles	2-15 years
Equipment	3-15 years

**J. Compensated Absences**

On the retirement or death of certain employees, the City pays accrued compensatory time. Vacation leave up to 200 hours in a lump-sum payment to such employee or his/her estate.

**K. Deferred Outflows/Inflows of Resources**

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

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred outflows of resources for pension activities - Reported in the government wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The other pension related deferred outflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.
- Deferred outflows of resources for other post-employment benefits (OPEB) other than pension - Reported in the government wide financial statement of net position, this deferred outflow results from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of 1) differences between projected and actual earnings on OPEB plan investments; 2) changes in actuarial assumptions; 3) differences between expected and actual actuarial experiences and 4) changes in the City's proportional share of OPEB liabilities. The deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on OPEB investments will be amortized over a closed five year period. The remaining postemployment related deferred outflows will be amortized over the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan.



## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **K. Deferred Outflows/Inflows of Resources (continued)**

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

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.
- Deferred inflows of resources for pension activities - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between projected and actual earnings on pension plan investments. These amounts will be amortized over a closed five year period.
- Deferred inflows of resources for OPEB – Reported in the government wide financial statement of net position, this deferred inflow results primarily from 1) changes in actuarial assumptions; and 2) differences between expected and actual actuarial experiences. These OPEB related deferred inflows will be amortized over the expected remaining service lives of all retirees (active and inactive employees) that are provided with OPEB through the OPEB plan.

##### **L. Property Taxes**

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

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela's, related to the construction of a Cabela's retail facility in Buda, Texas. The agreement resulted in the creation of a TIRZ-1, which committed the City and Hays County to remit 100% of property taxes collected within the TIRZ-1 area, as defined by the agreement, to LGC.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **M. Sales Taxes**

Revenue from a 1.5% sales tax within the City is considered available when received by the Comptroller of Public Accounts and is accrued on a monthly basis based on information provided by the Comptroller of Public Accounts. The City receives allocations on a monthly basis. The Comptroller for the State of Texas collects and distributes these amounts to the appropriate governmental organization with funding normally occurring within 60 days from the date of the underlying sale. The amount reported is net of a 2% collection and distribution service fee withheld by the state of Texas.

The sales tax collection is allocated to the General Fund and to EDC and LGC, the City's component units. Under a Definitive Agreement executed by Hays County, the City, EDC, and LGC, the sales tax must be allocated by the City and Hays County to EDC and LGC.

From the total imposed rate of 1.5% sales tax within the City, the City allocates 0.5% of the revenue to EDC after consideration (removal) for the TIRZ-1 portion and the Buda Annexation portion. The TIRZ-1 portion of the sales tax is also allocated as 0.5% to EDC and 1.0% to the City. Of the 0.5% given to EDC, the agreement states that 85.0% is to be transferred to LGC and 15.0% remains in EDC.

Of the 1% earned by the City, 56% is allocated to LGC and 44% remains in the City. Due to overlapping rates within the City's annexed portion (Park 35 Annex), the sales tax rate is 1% of the allowable sales tax available to the City when it entered the Annex. Therefore, the City and EDC split the earned sales tax within the annexed area.

Under the Definitive Agreement, Hays County is required to remit 1/3 of the earned sales tax within TIRZ-1.

##### **N. 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, liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual amounts may differ from these estimates.

##### **O. Bond Discounts/Premiums**

In governmental fund types, bond discounts and premiums are recognized in the current period and are deferred and amortized in the Government-wide Statement of Activities. Bond discounts and premiums for proprietary fund types are deferred and amortized over the term of the bonds using the bonds-outstanding method, which approximates the effective interest method.

## CITY OF BUDA, TEXAS

### NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

#### Note 2 - Summary of Significant Accounting Policies (continued)

##### P. Fund Equity

In the fund financial statements, the City restricts or commits all or portions of fund equity in the various governmental fund financial statements. The unassigned fund balances for governmental funds represent the amount available for budgeting future operations. The restricted fund balances for governmental funds represent the amount that has been legally identified for specific purposes.

In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

*Non-spendable fund balance* - amounts that are not in spendable form or are legally or contractually required to be maintained intact.

*Restricted fund balance* - amounts that are subject to external restrictions from creditors, grantors, contributors, or laws of other governments.

*Committed fund balance* - amounts constrained for specific purposes as determined by the City itself, using its highest level of decision-making authority (i.e. City Council). To be reported as committed, amounts cannot be used for any other purposes unless the City takes the same highest level of action to remove or change the constraint. The City establishes (and modifies or rescinds) fund balance commitments by passage of a resolution. City Council will approve obligations of funds, such as multiyear contracts, prior to the end of the fiscal year.

*Assigned fund balance* - amounts the City intends to use for a specific purpose that is neither restricted or committed and includes the remaining positive fund balance of all governmental funds except for the General Fund. Balances for encumbrances, other than those committed by City Council, fall into this category. Intent can be established by City Council or delegated to the City Manager.

*Unassigned fund balance* - amounts that are available for any purpose. Positive amounts are reported only in the General Fund.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the City's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the City's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications - committed and then assigned fund balances before using unassigned fund balances.

Fund balances in the Municipal Court Technology Fund and Municipal Court Building Security Fund are restricted for public safety.

Unrestricted net position for proprietary funds represents the net position available for future operations or distribution. Restricted net position for proprietary funds represents the net position that has been legally identified for specific purposes.

## **CITY OF BUDA, TEXAS**

### **NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

#### **Note 2 - Summary of Significant Accounting Policies (continued)**

##### **Q. Revenues and Expenditures/Expenses**

In the fund financial statements revenues for governmental funds are recorded when they are determined to be both measurable and available. Generally, tax revenues, fees and non-tax revenues are recognized when received. Grants from other governments are recognized when qualifying expenditures are incurred. Expenditures for governmental funds are recorded when the related liability is incurred.

Revenues and expenses in the Government-wide Statement of Activities are recognized in essentially the same manner as used in commercial accounting.

##### **R. Post-employment Healthcare Benefits**

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). The City reports the total liability for this plan on the government-wide and proprietary fund financial statements. Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75.

##### **S. Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from the City's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*.

##### **T. Deficit Equity**

The Dupre Local Government Corporation had deficit net position of \$40.4 million as of September 30, 2020. The deficit results from the component unit issuing debt and constructing or purchasing capital assets which are then conveyed to the primary government.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Deposits (Cash) and Investments**

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

***Primary Government***

At September 30, 2020, the carrying amount of the City's deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$43.7 million, and the bank balance totaled \$44.1 million. The City's cash deposits as of and for the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in the City's name.

At September 30, 2020, the City had deposits of \$1.0 million with TexStar. The City had investments in U.S. Treasury notes of \$2.0 million at September 30, 2020.

***Buda 4B Development Corporation***

At September 30, 2020, the carrying amount of EDC's deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$1.3 million and the bank balance totaled \$1.5 million. EDC's cash deposits as of and for the year ended September 30, 2020, were not entirely covered by FDIC insurance or by pledged collateral held by the agent bank in EDC's name.

At September 30, 2020, the EDC had deposits of \$3.8 million with TexPool.

***Dupre Local Government Corporation***

At September 30, 2020, the carrying amount of LGC's deposits (cash and interest-bearing savings accounts included in temporary investments) totaled \$1.1 million and the bank balance totaled \$1.3 million. LGC's cash deposits as of and for the year ended September 30, 2020 were entirely covered by FDIC insurance or by pledged collateral held by the agent bank in LGC's name.

**Restricted Cash and Cash Equivalents**

***EDC***

The EDC had cash and cash equivalents restricted for the following purposes at September 30, 2020:

Debt service	\$ 266,705
Mortgage reserves	301,566
Total	<u>\$ 568,271</u>

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 3 - Deposits (Cash) and Investments (continued)**

**LGC**

The LGC had cash and cash equivalents restricted for the following purposes at September 30, 2020:

Grant revenue fund	\$ 100,621
Debt service - pledged revenue fund	1,037,959
Contract funds	2,035
Total	<u>\$ 1,140,615</u>

**Local Government Investment Pools**

At September 30, 2020, the EDC had deposits of \$3.8 million with TexPool. The investment pool's investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

TexPool policies require that local government deposits be used to purchase investments authorized by the Public Funds Investment Act (PFIA) of 1987, as amended. The Texas State Comptroller of Public Accounts has oversight responsibility for TexPool. TexPool is a public funds investment pool created by the Texas Treasury Safekeeping Trust Company (Trust Company) to provide a safe environment for the placement of local government funds in authorized short-term, fully collateralized investments, including direct obligations of, or obligations guaranteed by, the United States or State of Texas or their agencies; federally insured certificates of deposit issued by Texas banks or savings and loans; and fully collateralized direct repurchase agreements secured by United States Government agency securities and placed through a primary government securities dealer.

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares. Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAM by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Local Government Investment Pools do not have any limitations and restrictions on withdrawals such as notice periods or maximum transaction amounts. These pools do not impose any liquidity fees or redemption gates.

**Investments**

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

**CITY OF BUDA, TEXAS****NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)****Note 3 - Deposits (Cash) and Investments (continued)****Investments (continued)**

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies, and the state of Texas; (2) certificates of deposit; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools; (9) guaranteed investment contracts; and (10) common trust funds. City cash is required to be deposited in Federal Deposit Insurance Corporation (FDIC) insured banks. A pooled cash strategy is utilized which enables the City to have one central depository.

The City had investments in U.S. Treasury notes of \$2.0 million at September 30, 2020.

**Note 4 - Capital Assets**

A summary of activity for governmental activities and business-type activities capital assets for the year ended September 30, 2020, follows:

	<b>Balance 09/30/2019</b>	<b>Additions</b>	<b>Deletions /Transfers</b>	<b>Balance 09/30/2020</b>
<b>Governmental Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 9,267,729	\$ -	\$ -	\$ 9,267,729
Construction in progress	13,825,234	6,222,885	(4,109,556)	15,938,563
<b>Total capital assets, not being depreciated</b>	<b>23,092,963</b>	<b>6,222,885</b>	<b>(4,109,556)</b>	<b>25,206,292</b>
Capital assets being depreciated:				
Buildings and improvements	47,843,590	-	-	47,843,590
Infrastructure	49,067,443	946,114	3,390,147	53,403,704
Machinery and equipment	10,063,340	187,292	719,409	10,970,041
<b>Total capital assets being depreciated</b>	<b>106,974,373</b>	<b>1,133,406</b>	<b>4,109,556</b>	<b>112,217,335</b>
Less accumulated depreciation for:				
Buildings and improvements	(11,001,004)	(1,527,712)	-	(12,528,716)
Infrastructure	(17,782,777)	(1,370,237)	-	(19,153,014)
Machinery and equipment	(6,657,500)	(501,866)	-	(7,159,366)
<b>Total accumulated depreciation</b>	<b>(35,441,281)</b>	<b>(3,399,815)</b>	<b>-</b>	<b>(38,841,096)</b>
<b>Total capital assets being depreciated, net</b>	<b>71,533,092</b>	<b>(2,266,409)</b>	<b>4,109,556</b>	<b>73,376,239</b>
<b>Governmental Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 94,626,055</b>	<b>\$ 3,956,476</b>	<b>\$ -</b>	<b>\$ 98,582,531</b>

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 4 - Capital Assets (continued)**

	<b>Balance 09/30/2019</b>	<b>Additions</b>	<b>Deletions /Transfers</b>	<b>Balance 09/30/2020</b>
<b>Business-type Activities</b>				
Capital assets, not being depreciated:				
Land	\$ 193,047	\$ -	\$ -	\$ 193,047
Construction in progress	4,981,165	11,675,660	(21,221)	16,635,604
<b>Total capital assets, not being depreciated</b>	<b>5,174,212</b>	<b>11,675,660</b>	<b>(21,221)</b>	<b>16,828,651</b>
Capital assets being depreciated:				
Buildings and improvements	121,995	-	-	121,995
Infrastructure	41,895,542	223,704	-	42,119,246
Machinery and equipment	7,108,280	277,750	21,221	7,407,251
<b>Total capital assets being depreciated</b>	<b>49,125,817</b>	<b>501,454</b>	<b>21,221</b>	<b>49,648,492</b>
Less accumulated depreciation for:				
Buildings and improvements	(62,460)	(4,385)	-	(66,845)
Infrastructure	(10,479,745)	(1,075,138)	-	(11,554,883)
Machinery and equipment	(5,613,650)	(276,147)	-	(5,889,797)
<b>Total accumulated depreciation</b>	<b>(16,155,855)</b>	<b>(1,355,670)</b>	<b>-</b>	<b>(17,511,525)</b>
<b>Total capital assets being depreciated, net</b>	<b>32,969,962</b>	<b>(854,216)</b>	<b>21,221</b>	<b>32,136,967</b>
<b>Business-type Activities</b>				
<b>Capital Assets, Net</b>	<b>\$ 38,144,174</b>	<b>\$ 10,821,444</b>	<b>\$ -</b>	<b>\$ 48,965,618</b>

Depreciation expense in the governmental activities was allocated to the City's various functions in the following amounts:

City Manager	\$ 1,888,449
Streets & Drainage	1,263,261
Public Safety	68,877
Engineering and Planning	12,059
Animal Control	10,581
Culture and Recreation	156,588
	<u>\$ 3,399,815</u>

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

	<b>Balance 9/30/2019</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 9/30/2020</b>
<b>EDC</b>				
<b>Capital assets being depreciated</b>				
Equipment	35,123	-	-	35,123
<b>Less accumulated depreciation for:</b>				
Equipment	(3,512)	(3,513)	-	(7,025)
<b>EDC Capital Assets, Net</b>	<b>\$ 31,611</b>	<b>\$ (3,513)</b>	<b>\$ -</b>	<b>\$ 28,098</b>



**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for general government and enterprise fund activities. These instruments include general obligation bonds and certificates of obligation and tax notes. General long-term bonds reported as governmental activities are paid through the Debt Service Fund from tax revenues. Business-type activities long-term debt is paid from water and sewer system revenues. Business-type compensated absences are liquidated from the General Fund in the governmental activities and the enterprise funds in the business-type activities.

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

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Reductions</b>	<b>Ending Balance</b>	<b>Due Within One Year</b>
<b>Governmental Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 47,950,000	\$ 370,000	\$ (1,250,000)	\$ 47,070,000	\$ 1,310,000
Certificates of obligation	10,320,000	-	(1,085,000)	9,235,000	720,000
Bond issuance premiums	4,596,451	-	(267,613)	4,328,838	-
Capital leases	239,433	-	(66,099)	173,334	65,465
Compensated absences	497,667	471,640	(396,498)	572,809	291,342
<b>Governmental Activities     Long-term Liabilities</b>	<b>\$ 63,603,551</b>	<b>\$ 841,640</b>	<b>\$ (3,065,210)</b>	<b>\$ 61,379,981</b>	<b>\$ 2,386,807</b>
<b>Business-Type Activities:</b>					
Bonds Payable:					
General obligation bonds	\$ 4,845,000	\$ 1,730,000	\$ (615,000)	\$ 5,960,000	\$ 785,000
Certificates of obligation	34,010,000	-	(2,840,000)	31,170,000	1,075,000
Bond issuance premiums	1,886,685	-	(98,792)	1,787,893	-
Limited Tax Notes	2,255,000	-	(350,000)	1,905,000	360,000
Capital leases	203,010	-	(65,674)	137,336	66,828
Compensated absences	52,008	77,524	(62,529)	67,003	47,767
<b>Business-type Activities     Long-term Liabilities</b>	<b>\$ 43,251,703</b>	<b>\$ 1,807,524</b>	<b>\$ (4,031,995)</b>	<b>\$ 41,027,232</b>	<b>\$ 2,334,595</b>
<b>EDC:</b>					
Bonds Payable:					
Revenue bonds	\$ 1,292,567	\$ -	\$ (205,000)	\$ 1,087,567	\$ 215,000
<b>LGC:</b>					
Bonds Payable:					
Contract revenue bonds	\$ 30,275,000	\$ -	\$ -	\$ 30,275,000	\$ -

In prior years, the City defeased certain revenue and general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2020, there are no bonds outstanding which have been reported as defeased.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

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

<b>Governmental Activities:</b>				
<b>Series</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
<b>General Obligation Bonds</b>				
Refunding Bonds, Series 2008	3.39%	\$ 2,930,000	2024	\$ 655,000
General Obligation Bonds, Series 2015	1.5% - 4.0%	9,430,000	2035	7,510,000
General Obligation Bonds, Series 2016	2.0% - 5.0%	41,150,000	2040	38,535,000
General Obligation Bonds Refunding, Series 2020	1.110%	370,000	2030	370,000
				<u>47,070,000</u>
<b>Certificates of Obligation</b>				
Certificates of Obligation, Series 2006	4.45%	2,345,000	2026	720,000
Certificates of Obligation, Series 2008	3.48%	6,120,000	2028	2,755,000
Certificates of Obligation, Series 2014	1.5% - 4.0%	4,445,000	2034	2,695,000
Certificates of Obligation, Series 2016A	2.0% - 4.0%	3,655,000	2036	3,065,000
				<u>9,235,000</u>
<b>Total Governmental Activities</b>				<u><u>\$ 56,305,000</u></u>
<b>Business-Type Activities:</b>				
<b>Series</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
<b>General Obligation Bonds</b>				
Refunding Bonds, Series 2019	3.0 - 4.0%	\$ 4,845,000	2029	\$ 4,230,000
General Obligation Bonds Refunding, Series 2020	1.110%	1,730,000	2030	1,730,000
				<u>5,960,000</u>
<b>Certificates of Obligation</b>				
Certificates of Obligation, Series 2006	4.45%	505,000	2026	225,000
Certificates of Obligation, Series 2014	1.5% - 4.0%	4,445,000	2034	770,000
Certificates of Obligation, Series 2014A	2.89%	3,605,000	2034	2,830,000
Certificates of Obligation, Series 2016	2.29%	1,190,000	2031	915,000
Certificates of Obligation, Series 2017	1.17-3.25%	27,825,000	2042	26,430,000
				<u>31,170,000</u>
<b>Limited Tax Notes</b>				
Series 2018	4.45%	2,625,000	2025	1,905,000
<b>Total Business-Type Activities</b>				<u><u>\$ 39,035,000</u></u>
<b>EDC:</b>				
<b>Series</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
<b>Revenue Bonds</b>				
Revenue and Refunding Bonds, Series 2006	3.35%	\$ 3,500,000	2025	\$ 1,087,567
<b>LGC:</b>				
<b>Series</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>Maturity Date</b>	<b>Debt Outstanding</b>
<b>Contract Revenue Bonds</b>				
Revenue Bonds, Series 2004	4.75%	\$ 31,750,100	2028	\$ 30,275,000

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**Business- Type Activity Debt**

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

Year Ending September 30,	Governmental Activities			Governmental Activities		
	General Obligation Bonds			Certificates of Obligation		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,310,000	\$ 1,765,518	\$ 3,075,518	\$ 720,000	\$ 308,988	\$ 1,028,988
2022	1,345,000	1,731,816	3,076,816	740,000	287,205	1,027,205
2023	1,375,000	1,697,243	3,072,243	770,000	264,251	1,034,251
2024	1,415,000	1,664,677	3,079,677	785,000	240,432	1,025,432
2025	1,470,000	1,605,105	3,075,105	815,000	215,612	1,030,612
2026 - 2030	9,650,000	7,039,289	16,689,289	3,140,000	688,145	3,828,145
2031 - 2035	13,340,000	4,927,322	18,267,322	2,015,000	272,500	2,287,500
2036 - 2040	17,165,000	2,114,200	19,279,200	250,000	10,000	260,000
	<u>\$ 47,070,000</u>	<u>\$ 22,545,170</u>	<u>\$ 69,615,170</u>	<u>\$ 9,235,000</u>	<u>\$ 2,287,133</u>	<u>\$ 11,522,133</u>

	Business-Type Activities			Business-Type Activities			Business-Type Activities		
	General Obligation Bonds			Certificates of Obligation			Limited Tax Notes		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 785,000	\$ 143,428	\$ 928,428	\$ 1,075,000	\$ 1,107,323	\$ 2,182,323	\$ 360,000	\$ 55,422	\$ 415,422
2022	815,000	122,527	937,527	1,110,000	1,060,734	2,170,734	370,000	45,630	415,630
2023	840,000	100,896	940,896	1,165,000	1,012,284	2,177,284	380,000	35,196	415,196
2024	860,000	78,609	938,609	1,215,000	961,160	2,176,160	390,000	24,196	414,196
2025	890,000	55,647	945,647	1,275,000	907,846	2,182,846	405,000	12,515	417,515
2026 - 2030	1,770,000	101,065	1,871,065	7,030,000	3,700,299	10,730,299	-	-	-
2031 - 2035	-	-	-	7,615,000	2,370,321	9,985,321	-	-	-
2036 - 2040	-	-	-	7,395,000	1,217,835	8,612,835	-	-	-
2040 - 2042	-	-	-	3,290,000	155,835	3,445,835	-	-	-
	<u>\$ 5,960,000</u>	<u>\$ 602,172</u>	<u>\$ 6,562,172</u>	<u>\$ 31,170,000</u>	<u>\$ 12,493,637</u>	<u>\$ 43,663,637</u>	<u>\$ 1,905,000</u>	<u>\$ 172,959</u>	<u>\$ 2,077,959</u>

EDC		
Revenue Bonds		
Principal	Interest	Total
2021	\$ 215,000	\$ 29,231
2022	230,000	21,526
2023	245,000	13,318
2024	260,000	4,608
2025	137,567	4,608
	<u>\$ 1,087,567</u>	<u>\$ 73,291</u>

**Legal Compliance**

A number of limitations and restrictions are contained in the various bond ordinances. The City has complied with all significant limitations and restrictions.

**Current Year Refunding of Debt**

On May 20, 2020, the City issued \$2,100,000 in General Obligation Refunding Bonds, Series 2020. The refunding bonds have a rate of 1.110% and were issued to refund the Series 2011 Certificates of Obligation with rates ranging from 1.5% to 4.0%. The proceeds were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the outstanding bonds. As a result, \$2,040,000 are considered to be defeased and the liability for these bonds have been removed from the long-term debt of the City. The refunding reduced the City's total debt service by \$282,834 for an economic gain of \$260,757. The deferred loss on refunding of \$32,175 is being amortized over the life of the bond.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 5 - Long-Term Debt (continued)**

**Capital Leases**

During the year ended September 30, 2019 the City entered into a lease purchase agreement for the acquisition of equipment and vehicles costing \$466,036. The lease is for a period of five years with semiannual payments at a stated interest rate of 3.29%. Interest paid on this lease was \$8,999 for the year ended September 30, 2020.

The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments, as of September 30, 2020:

Fiscal Year	
2021	\$ 101,062
2022	101,062
2023	101,062
2024	25,265
Total	328,451
Less interest portion	(17,781)
Capital lease obligation	\$ 310,670

The assets acquired through capital lease are as follows:

Assets:	
Equipment	\$ 83,219
Vehicles	382,817
	<u>\$ 466,036</u>

**Note 6 - Interfund Transactions**

Interfund transfers for the year ended September 30, 2020, are as follows:

Transfer In	Transfer Out				Total
	General Fund	Non-Major Governmental Funds	Water/Wastewater Fund	Sanitation Fund	
General Fund	\$ -	\$ 510,325	\$ 724,891	\$ 130,000	\$ 1,365,216
Debt Service Fund			5,512		5,512
Non-Major Governmental Funds	189,865	-	-	-	189,865
Totals	<u>\$ 189,865</u>	<u>\$ 510,325</u>	<u>\$ 730,403</u>	<u>\$ 130,000</u>	<u>\$ 1,560,593</u>

The following is a detail of the interfund transfers:

Transfer from	Transfer to	Purpose
General Fund	Non-major Governmental	Allocation to Special Revenue Funds
Non-major Governmental	General Fund	Hotel/Motel
Water/Wastewater	General Fund	Administrative
Water/Wastewater	Debt Service Fund	Debt service
Sanitation	General Fund	Administrative

**Note 7 - Employee Retirement System**

***Texas Municipal Retirement System***

**Plan Description and Provisions**

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

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

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

Employee deposit rate:	7%
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

***Texas Municipal Retirement System***

**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.

On the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Plan Description and Provisions (continued)**

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

Inactive employees currently receiving benefits	17
Inactive employees entitled to but not yet receiving benefits	64
Active employees	113
Total	194

**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 7% of their annual gross earnings during the fiscal year. For fiscal year 2020, the City made contributions of 13.94% October through December 2019 and 13.76% from January 2020 through September 2020.

**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.

**Note 7 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Actuarial Assumptions**

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% per year
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The 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. Assumptions are reviewed annually. No additional changes were made for the 2018 valuation.

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

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Actuarial Assumptions (continued)**

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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>
Domestic Equity	17.5%
International Equity	17.5%
Core Fixed Income	10.0%
Non-core Fixed Income	20.0%
Real Return	10.0%
Real Estate	10.0%
Absolute Return	10.0%
Private Equity	5.0%
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 7% 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.

**Sensitivity of the Net Pension Liability to Changes in the Discount Rate**

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

<b>1% Decrease in Discount Rate</b>	<b>Current Discount Rate</b>	<b>1% Increase in Discount Rate</b>
\$ 3,919,496	\$ 1,711,153	\$ (57,764)



**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

**Texas Municipal Retirement System (continued)**

**Changes in the Net Pension Liability**

	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net Pension Liability</b>
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 11,174,130	\$ 8,802,606	\$ 2,371,524
Changes for the year:			
Service Cost	1,160,535	-	1,160,535
Interest	785,291	-	785,291
Difference between expected and actual experience	(89,642)	-	(89,642)
Changes in assumptions	137,673		137,673
Contributions - employer	-	862,919	(862,919)
Contributions - employee	-	433,266	(433,266)
Net Investment income	-	1,365,963	(1,365,963)
Benefit payments, including refunds,	(240,921)	(240,921)	-
Administrative expense	-	(7,690)	7,690
Other changes	-	(230)	230
Net changes	1,752,936	2,413,307	(660,371)
Balance at 12/31/2019	\$ 12,927,066	\$ 11,215,913	\$ 1,711,153

Plan fiduciary net position as a percentage of total pension liability 86.76%

**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 \$995,273.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actuarial assumptions and actual experience	\$ 109,071	\$ 81,259
Changes in actuarial assumptions used	124,528	-
Differences between projects and actual investment earnings	-	328,831
Contributions subsequent to the measurement date	716,525	-
Total	\$ 950,124	\$ 410,090

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 7 - Employee Retirement System (continued)**

***Texas Municipal Retirement System (continued)***

**Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$716,525 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's financial statements September 30, 2021). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Fiscal Year</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2021	\$ (13,917)
2022	(55,497)
2023	21,584
2024	(134,930)
2025	6,269
Total	<u>\$ (176,491)</u>

**Note 8 - Supplemental Death Benefits Fund**

***TMRS Supplemental Death Benefits Fund***

**Benefit Plan Description**

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

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

Membership in the plan as of the measurement date of December 31, 2019 was as follows:

Inactive employees currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	8
Active employees	<u>113</u>
Total	<u><u>135</u></u>

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Supplemental Death Benefits Fund (continued)**

***TMRS Supplemental Death Benefits Fund (continued)***

**Contributions**

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.17% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

**Discount Rate**

The TMRS SDBF program is treated as unfunded OPEB plan because the SDBF trust covers both active employees and retirees and the assets are not segregated for these groups. Under GASB Statement No. 75, the discount rate for an unfunded OPEB plan should be based on 20-year tax-exempt AA or higher Municipal Bonds. Therefore, a discount rate of 3.71% based on the 20 Year Bond GO Index published by bondbuyer.com is used as of the measurement date of December 31, 2019. The actuary has estimated the total OPEB liability, as of December 31, 2019, using a discount rate of 2.75%.

**Actuarial Assumptions**

The City's total OPEB liability was measured at December 31, 2019 and was determined by an actuarial valuation as of that date using the following actuarial assumptions:

*Valuation Date:* December 31, 2019

*Methods and Assumptions:*

Inflation:	2.50%
Salary Increases:	3.50% to 11.50%, including inflation
Discount rate:	2.75%. The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.
Retirees' share of benefit related costs:	\$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*Other Information*

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Supplemental Death Benefits Fund (continued)**

**TMRS Supplemental Death Benefits Fund (continued)**

**Changes in the Total OPEB Liability**

	<b>Total OPEB Liability</b>
Balance at 12/31/2018	\$ 119,983
Changes for the year:	
Service Cost	12,998
Interest	4,670
Difference between expected and actual experience	(8,972)
Changes in assumptions	29,904
Benefit payments, including refunds, of employee contributions	(1,238)
Net changes	<u>37,362</u>
Balance at 12/31/2019	<u>\$ 157,345</u>
 Covered Payroll	 \$ 6,189,521
Liability as a Percentage of Covered Payroll	2.54%

**Sensitivity Analysis**

The following presents the total OPEB liability of the employer, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.75%) or 1 percentage point higher (3.75%) than the current rate. Note that the healthcare cost trend rate does not affect the total OPEB liability, so sensitivity to the healthcare cost trend rate is not shown.

	<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
City's OPEB liability	\$ 194,010	\$ 157,345	\$ 129,277

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 8 - Supplemental Death Benefits Fund (continued)**

**TMRS Supplemental Death Benefits Fund (continued)**

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$19,590.

As of September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actuarial assumptions and actual experience	\$ -	\$ 12,828
Changes in actuarial assumptions used	32,074	7,125
Contributions subsequent to the measurement date	1,048	-
Total	<u>\$ 33,122</u>	<u>\$ 19,953</u>

The \$1,048 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending September 30, 2021.

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

<b>Fiscal Year</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2021	\$ (1,922)
2022	(1,922)
2023	(1,922)
2024	(1,922)
2025	(1,681)
Thereafter	(2,752)
Total	<u>\$ (12,121)</u>

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 9 - Commitments and Contingencies**

**Litigation and Other Contingencies**

The City participates in grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

**Note 10 - Risk Management**

The City is exposed to various risks of loss related to torts, theft, damage, or destruction of assets; errors and omissions; injuries to employees; and natural disasters. During fiscal year 2012, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the state as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will re-insure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of re-insurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year, and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

**Note 11 - Related Party Transactions**

Each year the City pays a portion of its sales tax to EDC in accordance with a Definitive Agreement (in accordance with state laws governing 4B development corporations). The City remitted a total of \$2,826,802 in sales taxes during the fiscal year ended September 30, 2020. The remitted amount represents 0.5% of the total tax rate of 1.5%.

In accordance with a Definitive Agreement, the City and EDC remit a portion of sales tax collections to LGC, earned from businesses operating with the TIRZ-1, in accordance with the Development Agreement entered into among the City, EDC, Hays County, and LGC for the construction of the Cabela's retail facility. The sales tax received by LGC is used to pay principal and interest on LGC's Contract Revenue Bonds, Series 2004. During the year ended September 30, 2020, the LGC received the following amounts:

Revenue received from:	
Sales tax - City	\$ 298,668
Sales tax - EDC	226,631
Sales tax - Hays County	87,968
Hotel/motel taxes - City	88,061
	<u>\$ 701,328</u>

**CITY OF BUDA, TEXAS**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)**

**Note 11 - Related Party Transactions (continued)**

In accordance with the Development Agreement among the City, EDC, and Hays County, and LGC, the following amounts are receivable from related parties:

Due from:	
EDC	\$ 38,299
City (Hotel and sales tax)	60,803
Hays County TIRZ 1	21,523
	<u>\$ 120,625</u>

The taxes are used to pay principal and interest on LGC's Contract Revenue Bonds, Series 2004. In accordance with the Development Agreement, LGC has serviced the Contract Revenue Bonds, Series 2004 and has paid Cabela's \$11,631,954 since inception for additional liabilities incurred under the Development Agreement.

The City pays for EDC's employees' payroll and benefit costs, as well as various operating costs of EDC from time to time. During the year, EDC reimburses the City for operating, payroll, and employee benefit costs paid by the City.

**Note 12 - Cabela's Project**

In 2004, a Development Agreement was entered into among LGC, the City, Hays County, EDC, and Cabela's related to the construction of a Cabela's retail facility in Buda, Texas. In addition to the retail facility, the Development Agreement called for the construction and development of public museum facilities and public infrastructure ("public facilities"). LGC issued bonds in 2004 in the total principal amount of \$31,725,000 to pay the projected costs of the public facilities and the cost of the issuance of the bonds. LGC was to finance or reimburse the developer, Cabela's, Inc., for the costs of the public facilities from the proceeds of the bonds. No portion of the costs of the retail facility was financed with the proceeds of the bonds. The bonds constitute valid, legally binding, and enforceable special revenue obligations of LGC. Such bonds shall be payable only from pledged revenue received from tax increments (TIRZ-1 revenues), which are generated in the TIRZ-1 and from certain grant revenues paid by the City, EDC, and Hays County, subject to annual appropriations, pursuant to grant agreements among these entities, and LGC. The holders of the bonds shall never have the right to demand payment out of money raised or to be raised by taxation, other than from the pledged revenues.

Upon completion of the construction, the City accepted ownership of the public facilities. The City maintains the public infrastructure and has a management agreement with Cabela's for the management of the public museum facilities and related common areas. The management fees are deferred until such time Cabela's exercises its option to purchase the public museum facilities from the City, which may occur upon the earlier of the (1) 25th anniversary of the completion date or (2) the repayment of all outstanding public facilities bonds.





## **REQUIRED SUPPLEMENTARY INFORMATION**



# CITY OF BUDA, TEXAS

## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

### BUDGET AND ACTUAL - GENERAL FUND

For the Year Ended September 30, 2020

With comparative actual amounts for the year ended September 30, 2019

	2020			Variance	2019
	Original Budget	Final Budget	Actual	Positive (Negative)	Actual
<b>Revenues</b>					
Taxes:					
Property taxes	\$ 2,008,817	\$ 2,011,135	\$ 2,012,860	\$ 1,725	\$ 1,798,074
Sales and use taxes - City	5,235,371	5,326,941	5,520,307	193,366	4,935,113
Sales and use taxes - EDC	2,654,300	2,663,470	2,826,803	163,333	2,546,100
Franchise taxes	842,449	834,021	864,059	30,038	866,151
Mixed beverage tax	61,200	57,727	74,862	17,135	77,129
Fines and forfeitures	224,892	193,940	170,401	(23,539)	237,189
Licenses and permits	1,107,990	1,095,150	1,096,121	971	1,638,254
Intergovernmental	205,606	886,211	1,152,620	266,409	288,906
Charges for services	814,797	1,161,851	890,620	(271,231)	1,232,267
Investment earnings	216,600	170,912	166,152	(4,760)	324,172
Miscellaneous	52,750	158,117	148,170	(9,947)	45,460
<b>Total Revenues</b>	<b>13,424,772</b>	<b>14,559,475</b>	<b>14,922,975</b>	<b>363,500</b>	<b>13,988,815</b>
<b>Expenditures</b>					
Current:					
City Manager	1,004,548	1,019,829	992,525	27,304	1,673,067
City Clerk	287,524	261,100	252,121	8,979	276,676
Human Resources	323,959	319,296	300,023	19,273	202,451
Non-departmental	1,169,563	2,731,605	2,320,237	411,368	642,009
Finance	696,699	682,688	695,082	(12,394)	629,918
Economic Development	3,048,364	2,963,520	3,105,580	(142,060)	2,829,181
Library	663,186	655,516	631,136	24,380	628,773
Parks and Recreation	1,088,178	1,060,881	955,493	105,388	904,600
Planning	820,802	734,588	723,128	11,460	686,419
Engineering	308,414	285,040	212,547	72,493	288,824
Main Street	373,786	281,866	251,640	30,226	243,312
Streets and Drainage	1,190,701	1,314,389	1,132,940	181,449	785,586
Facilities Maintenance	418,468	264,941	244,420	20,521	238,957
Fleet Maintenance	147,146	149,502	133,808	15,694	133,248
Municipal Court	144,878	154,878	150,201	4,677	141,161
Police	2,457,632	2,425,678	2,410,292	15,386	2,182,120
Animal Control	112,428	112,241	110,390	1,851	95,268
Information Technology	545,448	579,788	553,708	26,080	397,387
Capital outlay	400,000	337,213	281,113	56,100	726,787
Debt Service					
Principal	66,407	66,407	66,099	308	68,850
Interest and other charges	7,000	7,000	7,311	(311)	5,740
<b>Total Expenditures</b>	<b>15,275,131</b>	<b>16,407,966</b>	<b>15,529,794</b>	<b>878,172</b>	<b>13,780,334</b>
<b>Revenues over (under) expenditures</b>	<b>(1,850,359)</b>	<b>(1,848,491)</b>	<b>(606,819)</b>	<b>1,241,672</b>	<b>208,481</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in	1,355,378	1,374,477	1,365,216	(9,261)	1,339,684
Transfers out	-	(189,865)	(189,865)	-	(62,815)
Capital lease	-	-	-	-	261,475
<b>Total other financing sources (uses)</b>	<b>1,355,378</b>	<b>1,184,612</b>	<b>1,175,351</b>	<b>(9,261)</b>	<b>1,538,344</b>
Changes in fund balance	(494,981)	(663,879)	568,532	1,232,411	1,746,825
<b>Fund Balances - Beginning of Year</b>	<b>7,053,712</b>	<b>7,053,712</b>	<b>7,053,712</b>	<b>-</b>	<b>5,306,887</b>
<b>Fund Balances - End of Year</b>	<b>\$ 6,558,731</b>	<b>\$ 6,389,833</b>	<b>\$ 7,622,244</b>	<b>\$ 1,232,411</b>	<b>\$ 7,053,712</b>

## **CITY OF BUDA, TEXAS**

### ***NOTES TO REQUIRED SUPPLEMENTARY BUDGET INFORMATION***

***Year ended September 30, 2020***

#### **General Budget Policies**

An annual appropriated budget is adopted for all governmental funds. The original budget is adopted by the City Council prior to the beginning of the fiscal year. Expenditures may not legally exceed budgeted appropriations at the fund level. Expenditure requests, which would require an increase in the total budgeted appropriations, must be approved by City Council through a formal budget amendment. At any time during the fiscal year, the City Council may make emergency appropriations to meet a pressing need for public expenditure in order to protect the public health, safety, or welfare. The City Council has the power to transfer any unencumbered funds allocated by the budget from one activity, function, or department, to re-estimate revenues and expenditures, and to amend the budget.

**CITY OF BUDA, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**September 30, 2020**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of changes in Net Pension Liability and Related Ratios**  
**Last Six Measurement Years**

	Measurement Year					
	2019	2018	2017	2016	2015	2014
Total pension liability:						
Service cost	\$ 1,160,535	\$ 1,059,303	\$ 943,901	\$ 804,605	\$ 693,940	\$ 546,167
Interest	785,291	674,143	581,349	497,905	426,750	358,890
Difference between expected and actual experience	(89,642)	72,333	(13,837)	70,772	201,662	115,892
Change in assumptions	137,673				61,713	
Benefit payments, including refunds of employee contributions	(240,921)	(178,600)	(210,170)	(203,287)	(115,633)	(135,156)
Net change in total pension liability	1,752,936	1,627,179	1,301,243	1,169,995	1,268,432	885,793
Total pension liability - beginning	11,174,130	9,546,951	8,245,708	7,075,713	5,807,281	4,921,488
Total pension liability - ending (a)	<u>\$ 12,927,066</u>	<u>\$ 11,174,130</u>	<u>\$ 9,546,951</u>	<u>\$ 8,245,708</u>	<u>\$ 7,075,713</u>	<u>\$ 5,807,281</u>
Plan fiduciary net position:						
Contributions - employer	\$ 862,919	\$ 840,197	\$ 724,153	\$ 573,284	\$ 385,256	\$ 325,571
Contributions - employee	433,266	397,168	343,237	292,888	263,617	228,814
Net investment income	1,365,963	(239,889)	869,695	355,470	6,962	232,778
Benefit payments, including refunds of employee contributions	(240,921)	(178,600)	(210,170)	(203,287)	(115,633)	(135,156)
Administrative expense	(7,690)	(4,625)	(4,501)	(4,009)	(4,239)	(2,429)
Other	(230)	(242)	(228)	(217)	(210)	(200)
Net change in plan fiduciary net position	2,413,307	814,009	1,722,186	1,014,129	535,753	649,378
Plan fiduciary net position - beginning	8,802,606	7,988,597	6,266,411	5,252,282	4,716,529	4,067,151
Plan fiduciary net position - ending (b)	11,215,913	8,802,606	7,988,597	6,266,411	5,252,282	4,716,529
Net pension liability - ending (a) - (b)	<u>\$ 1,711,153</u>	<u>\$ 2,371,524</u>	<u>\$ 1,558,354</u>	<u>\$ 1,979,297</u>	<u>\$ 1,823,431</u>	<u>\$ 1,090,752</u>
Plan fiduciary net position as a percentage of total pension liability	86.76%	78.78%	83.68%	76.00%	74.23%	81.22%
Covered payroll (measurement year)	\$ 6,189,521	\$ 5,673,824	\$ 4,903,380	\$ 4,184,115	\$ 3,759,157	\$ 3,268,778
Net pension liability as a percentage of covered payroll	27.65%	41.80%	31.78%	47.31%	48.51%	33.37%

The amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end. Net pension liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 68. Ten years of data should be presented in this schedule but data was unavailable prior to 2014.

**CITY OF BUDA, TEXAS**  
**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**  
**September 30, 2020**

**TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)**  
**Schedule of Contributions**  
**Last Six Fiscal Years**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 947,638	\$ 859,385	\$ 796,380	\$ 686,294	\$ 422,556	\$ 368,785
Contribution in relation of the actuarially determined contribution	<u>947,638</u>	<u>859,385</u>	<u>796,380</u>	<u>686,294</u>	<u>422,556</u>	<u>368,785</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll (fiscal year)	\$ 6,865,214	\$ 6,069,928	\$ 5,375,639	\$ 4,724,298	\$ 4,239,326	\$ 3,584,210
Contributions as a percentage of covered payroll	13.80%	14.16%	14.81%	14.53%	9.97%	10.29%

**Notes to Required Supplementary Pension Information:**

Valuation Date: Actuarial determined contribution rates are calculated as of December 31<sup>st</sup> and become effective in January, 13 months later.

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

Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level Percentage of Payroll, Closed
Remaining Amortization Period:	26 years
Asset Valuation Method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.50%
Salary Increases:	3.50% to 11.50% including inflation
Investment Rate of Return:	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post Retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
Other Information:	There were no benefit changes during the year.

**CITY OF BUDA, TEXAS****REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION***September 30, 2020***TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)****Schedule of changes in Total OPEB Liability and Related Ratios****Last Three Measurement Years**

	Measurement Year		
	2019	2018	2017
Total pension liability:			
Service cost	\$ 12,998	\$ 12,482	\$ 9,316
Interest	4,670	4,186	3,887
Difference between expected and actual experience	(8,972)	(6,765)	-
Change in assumptions	29,904	(9,577)	9,895
Benefit payments, including refunds of employee contributions	<u>(1,238)</u>	<u>(1,135)</u>	<u>(981)</u>
Net change in total pension liability	37,362	(809)	22,117
Total pension liability - beginning	<u>119,983</u>	<u>120,792</u>	<u>98,675</u>
Total pension liability - ending (a)	<u>\$ 157,345</u>	<u>\$ 119,983</u>	<u>\$ 120,792</u>
Covered payroll (measurement year)	\$ 6,189,521	\$ 5,673,824	\$ 4,903,380
Total OPEB liability as a percentage of covered payroll	2.54%	2.11%	2.46%

**Notes to Required Supplementary OPEB Information:***Changes of assumptions:*

Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period:

2019	2.75%
2018	3.71%
2017	3.31%
2016	3.81%

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**APPENDIX C**

**FORM OF BOND COUNSEL'S OPINION**

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

**CITY OF BUDA, TEXAS,  
COMBINATION TAX AND LIMITED REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2021  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$12,325,000**

**AS BOND COUNSEL FOR THE CITY OF BUDA, TEXAS** (the "City") in connection with the issuance of the certificates described above (the "Certificates"), we have examined the legality and validity of the Certificates, which bear interest from the dates specified in the text of the Certificates, until maturity or redemption, at the rates and payable on the dates specified in the text of the Certificates and in the ordinance of the City adopted on August 17, 2021 authorizing the issuance of the Certificates (the "Ordinance").

**WE HAVE EXAMINED** the applicable and pertinent provisions of the Constitution and laws of the State of Texas, certified copies of the pertinent proceedings of the City, and other pertinent documents authorizing and relating to the issuance of the Certificates, including one of the executed Certificates (Certificate Number T-1).

**BASED ON SAID EXAMINATION, IT IS OUR OPINION** that the Certificates have been duly authorized, issued and delivered in accordance with law; that the Certificates, except as the enforceability thereof may be limited by laws relating to governmental immunity, bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted related to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the City; and that ad valorem taxes sufficient to provide for the payment of the interest on and the principal of the Certificates have been levied and pledged for such purpose, within the limits prescribed by law, on taxable property within the City and the Certificates are additionally secured by and payable from a limited pledge of surplus revenues of the City's combined waterworks and sewer system, all as provided in the Ordinance.

**IT IS FURTHER OUR OPINION**, except as discussed below, that the interest on the Certificates is excludable from the gross income of the owners thereof for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.



**EXCEPT AS STATED ABOVE**, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates, including the amount, accrual or receipt of interest on, the Certificates. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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



**THE FOREGOING OPINIONS** represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,

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FINANCIAL ADVISORY SERVICES