

OFFICIAL STATEMENT**Dated: August 9, 2021**

In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel to the City, 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 of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein.

The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions

\$5,915,000**CITY OF WEST COLUMBIA, TEXAS****(Brazoria County)****COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021****Dated Date: September 1, 2021****Due: September 1, as shown on page ii**

The City of West Columbia, Texas (the "City") \$5,915,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") are being issued pursuant to the Constitution and laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

Interest on the Certificates will accrue from September 1, 2021 (the "Dated Date") as shown above and will be payable on March 1, 2022, and on each September 1 and March 1 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry-only form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DT

C or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, N.A., Austin, Texas as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, and equipping additions, improvements, extensions and equipment for the City's water and sewer system; and (ii) legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

The City reserves the right to redeem the Certificates maturing on and after September 1, 2031, on September 1, 2030, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions" herein.)



The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. (See "BOND INSURANCE" herein.)

STATED MATURITY SCHEDULE**(On Page ii)**

The Certificates are offered for delivery, when, as and if issued and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. (See Appendix C – Form of Legal Opinion of Bond Counsel.) Certain legal matters will be passed upon for the underwriter named below (the "Underwriter") by Locke Lord LLP, Austin, Texas, as counsel to the Underwriter (See "OTHER PERTINENT INFORMATION - Legal Matters" herein). It is expected that the Certificates will be available for delivery through the facilities of DTC on or about September 8, 2021.

**STATED MATURITY SCHEDULE
(Due September 1)**

Base CUSIP – 952267^(a)

Stated Maturity	Principal Amount	Interest Rate	Initial Yield	CUSIP No. Suffix ^(a)
2022	\$130,000	3.000%	0.250%	CNO
2023	130,000	3.000%	0.300%	CP5
2024	135,000	3.000%	0.400%	CQ3
2025	140,000	3.000%	0.550%	CR1
2026	145,000	3.000%	0.750%	CS9
2027	145,000	3.000%	0.900%	CT7
2028	150,000	3.000%	1.100%	CU4
2029	155,000	3.000%	1.200%	CV2
2030	160,000	3.000%	1.300%	CW0
***	***	***	***	***
2051	280,000	2.250%	2.460%	DD1

\$335,000 3.000% Term Certificates due September 1, 2032 and priced to yield 1.400% ^(b) CUSIP Suffix CX8
\$355,000 3.000% Term Certificates due September 1, 2034 and priced to yield 1.500% ^(b) CUSIP Suffix CY6
\$375,000 3.000% Term Certificates due September 1, 2036 and priced to yield 1.600% ^(b) CUSIP Suffix CZ3
\$400,000 3.000% Term Certificates due September 1, 2038 and priced to yield 1.650% ^(b) CUSIP Suffix DA7
\$425,000 3.000% Term Certificates due September 1, 2040 and priced to yield 1.750% ^(b) CUSIP Suffix DB5
\$2,455,000 2.250% Term Certificates due September 1, 2050, and priced to yield 2.450% CUSIP Suffix DC3

(Interest to accrue from the Dated Date)

The City reserves the right to redeem the Certificates maturing on and after September 1, 2031, on September 1, 2030, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. Additionally, the Certificates maturing on September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2040 and September 1, 2050 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)

Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding AGM supplied by AGM and presented under the heading "Bond Insurance" and "Appendix E – Specimen Municipal Bond Insurance Policy".

^(a) CUSIP numbers are included solely for the convenience of the owners of the Certificates. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services ("CGS"), managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Underwriter or the Financial Advisor is responsible for the selection or the correctness of the CUSIP numbers set forth herein.

^(b) Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on September 1, 2030, the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

CITY OF WEST COLUMBIA, TEXAS
512 E. Brazos Avenue
West Columbia, Texas 77486
Telephone: 979-345-3123

ELECTED OFFICIALS

Name	Position	Years Served	Term Expires May	Occupation
Laurie B. Kincannon	Mayor	13	2022	Retired Educator
Dietrick von Biedenfeld	Mayor Pro-Tem	9	2022	UH Professor
Robert L. Thomas	Councilman, Position 1	24	2023	Brazoria County Court Bailiff
Charley Tindol	Councilman, Position 2	19	2022	Brazoria County Airport – Line Technician
Roy E. Maynor, Jr.	Councilman, Position 3	8	2023	Line Safety System Specialist
Rory Burke	Councilman, Position 4	.01	2023	ICS, Inc. - Owner

ADMINISTRATION

Name	Position	Years With The City
Debbie Sutherland	City Manager	38
Kelli Kuban	City Secretary/Treasurer	21

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. Dallas, Texas
Certified Public Accountants	KM&L, LLC Lake Jackson, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

Debbie Sutherland
City Manager
City of West Columbia
512 E. Brazos Avenue
West Columbia, Texas 77486
(979) 345-3123
citymanager@westcolumbiatx.org

Mr. Mark McLiney
Senior Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760
mmcliney@samcocapital.com

Mr. Andrew Friedman
Managing Director
SAMCO Capital Markets, Inc.
1020 NE Loop 410, Suite 640
San Antonio, Texas 78209
(210) 832-9760
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM as such information is provided by DTC, OR THE INSURER AND ITS MUNICIPAL BOND INSURANCE POLICY.

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

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES AND EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The City	The City of West Columbia, Texas (the "City"), located in Brazoria County is a political subdivision of the State of Texas (the "State") and operates under a Council-Manager form of government, as a Type A general law municipality, with a City Council comprised of six members including the Mayor. The City's 2010 census was 3,905. The City's current estimated population is 4,000. (See "Appendix B - General Information Regarding the City of West Columbia and Brazoria County, Texas" herein.)
The Certificates	The Certificates are being issued pursuant to the Constitution and laws of the State, including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance (the "Ordinance") adopted by the City Council. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Austin, Texas.
Security	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system, as provided in the Ordinance (see "THE CERTIFICATES – Security for Payment").
Redemption Provision	The City reserves the right, at its sole option, to redeem Certificates stated to mature on and after September 1, 2031, on September 1, 2030, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. Additionally, the Certificates maturing on September 1, 2032, September 1, 2034, September 1, 2036, September 1, 2038, September 1, 2040 and September 1, 2050 (the "Term Certificates") will also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions" herein.)
Tax Matters	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Certificates, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C - FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Qualified Tax-Exempt Obligations	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, and equipping additions, improvements, extensions and equipment for the City's water and sewer system; and (ii) legal, fiscal and engineering fees in connection with such projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)
Book-Entry-Only System	The City intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC") described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating	The Certificates are rated "AA" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Certificates will be issued by AGM. In addition, the Certificates and the City's presently outstanding debt are rated "A+" by S&P without regard to credit enhancement (See "OTHER PERTINENT INFORMATION - Rating" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by Assured Guaranty Municipal Corp. (AGM" or the "Insurer"). (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

Issuance of Additional Debt

The City does not anticipate the issuance of any additional ad valorem tax debt in 2021.

Payment Record

The City has never defaulted on the payment of its general obligation or revenue debt.

Delivery

When issued, anticipated on or about September 8, 2021.

Legality

Delivery of the Certificates is subject to the approval by the Attorney General of the State and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of West Columbia, Texas (the "City") of its \$5,915,000 Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") identified on the cover page hereof.

The City is a political subdivision of the State of Texas (the "State") and a Type A general law municipal corporation organized and existing under the Constitution and laws of the State of Texas. The Certificates are being issued pursuant to the Constitution and general laws of the State, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") authorizing the issuance of the Certificates. (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. In addition to the actions by the State and federal officials, certain local officials, including Brazoria County, have declared a local state of disaster and have issued "shelter-in-place" orders. Many of the federal, State and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to \$1,000 for noncompliance, subject to certain exceptions.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect future property values and/or the collection of sales and other excise taxes, charges, and fees within the City as well as the assets of City pension funds. See "AD VALOREM TAX PROCEDURES". The Certificates are secured, in part, by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates and the City's operations and maintenance expenses. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, utility system revenue and other fees and charges may negatively impact the City's operating budget and overall financial condition.

The financial and operating data contained herein are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the current financial condition or future prospects of the City.

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

THE CERTIFICATES

General

The Certificates are dated September 1, 2021 (the "Dated Date"). The Certificates are stated to mature on September 1 in the years and in the principal amounts set forth on page 2 hereof. The Certificates shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on March 1, 2022, and on each September 1 or March 1 thereafter until

maturity or prior redemption. Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Certificates, initially UMB Bank, N.A., Austin, Texas. Interest on the Certificates shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the Security Register or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Certificates will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Certificates will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Certificates. Such Book-Entry-Only System may change the method and timing of payment for the Certificates and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

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

Security for Payment

The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City and (ii) a limited pledge (not to exceed \$1,000) of the surplus net revenues of the City's waterworks and sewer system, as provided in the Ordinance. (See "CITY APPLICATION OF THE PROPERTY TAX CODE" herein.)

Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, annual direct ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limit prescribed by law. Article XI, Section 4, of the Texas Constitution applies to the City, and limits the maximum ad valorem tax rate of the City to \$1.50 per \$100 taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used to pay all or a portion of the City's contractual obligations incurred in connection with (i) acquiring, constructing, and equipping additions, improvements, extensions and equipment for the City's water and sewer system; and (ii) legal, fiscal and engineering fees in connection with such projects.

Redemption Provisions

Optional Redemption: The City reserves the right, at its option, to redeem the Certificates maturing on and after September 1, 2031 on September 1, 2030, or any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

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Mandatory Sinking Fund Redemption

The Certificates scheduled to mature on September 1 in the years 2032, 2034, 2036, 2038, 2040, and 2050 (the “Term Certificates”) are subject to scheduled mandatory sinking fund redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, on the dates, and in the respective principal amounts, set forth in the following schedule:

Term Certificates to Mature on September 1, 2032		Term Certificates to Mature on September 1, 2034		Term Certificates to Mature on September 1, 2036	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2031	\$ 165,000	2033	\$ 175,000	2035	\$ 185,000
2032*	170,000	2034*	180,000	2036*	190,000

Term Certificates to Mature on September 1, 2038		Term Certificates to Mature on September 1, 2040		Term Certificates to Mature on September 1, 2050	
Year	Principal Amount	Year	Principal Amount	Year	Principal Amount
2037	\$ 195,000	2039	\$ 210,000	2041	\$ 220,000
2038*	205,000	2040	215,000	2042	225,000
				2043	230,000
				2044	235,000
				2045	245,000
				2046	250,000
				2047	255,000
				2048	260,000
				2049	265,000
				2050*	270,000

*Payable at Stated Maturity.

The principal amount of a Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates of such stated maturity which, at least forty-five (45) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the City and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption

Not less than thirty (30) days prior to a redemption date for the Certificates, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and any other condition to redemption satisfied, all as provided above, the Certificates or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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 and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, 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 the Certificates have not been redeemed.

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 Certificates or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the 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 DTC direct participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates the City has called for redemption 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 direct participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation debt.

Legality

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

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or other authorized agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes 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, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Certificates, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 does not contractually limit such investments, registered owners will 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 for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of Certificates have been made as described above, all rights of the City to initiate proceedings to call such Certificates for redemption or take any other action amending the terms of such Certificates are extinguished; provided, however, that the right to call such Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call such Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of such Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

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

The Ordinance further provides that the registered owners of the Certificates aggregating in principal amount a majority 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 registered owners of the then outstanding Certificates, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal payable on any outstanding Certificates; (iv) modifying the terms of payment of principal of or interest on outstanding Certificates, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Default and Remedies

The Ordinance establishes 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 of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides 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 and 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 does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates 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 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates or 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. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. 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 authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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

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

See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates. Initially, the only registered owner of the Certificates will be Cede & Co., as DTC's nominee.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar for the Certificates is UMB Bank, N.A., Austin, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the City, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the City, shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar on the Record Date (as defined below) by check or draft mailed on March 1, 2022, and on each September 1 and March 1 thereafter until maturity or prior redemption of the Certificates, by the Paying Agent/Registrar to the last known address of the registered owner as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal of a Certificate will be paid to the registered owner at its stated maturity or its prior redemption upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal of and interest on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the fifteenth (15th) day of the month next preceding such interest payment date.

In the event of a non-payment of interest on an Interest Payment Date, and for thirty (30) days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest (which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner 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.

Future Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be issued to the owners of the Certificates and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or 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 registered mail to the new registered owner at the registered owner's request, risk and expense. 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or 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 denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar shall not be required to transfer or exchange any Certificates or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Certificate or portion called for redemption prior to maturity, within forty-five (45) days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate called for redemption.

Replacement Certificates

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, 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 name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered 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"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the 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 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 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 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 for the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Direct Participant 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 on the Certificates 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 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, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered.

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

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.

BOND INSURANCE

BOND INSURANCE POLICY

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

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

ASSURED GUARANTY MUNICIPAL CORP.

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

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

Current Financial Strength Ratings

On July 8, 2021, S&P announced it had affirmed AGM’s financial strength rating of “AA” (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

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

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

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

Capitalization of AGM

At June 30, 2021:

- The policyholders’ surplus of AGM was approximately \$2,943 million.
- The contingency reserve of AGM was approximately \$947 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately \$2,137 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM’s wholly owned subsidiaries Assured Guaranty UK Limited (“AGUK”) and Assured Guaranty (Europe) SA (“AGE”).

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

Merger of MAC into AGM

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

Incorporation of Certain Documents by Reference

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

- (i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (filed by AGL with the SEC on February 26, 2021);
- (ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2021 (filed by AGL with the SEC on May 7, 2021); and
- (iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2021 (filed by AGL with the SEC on August 6, 2021).

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

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

Miscellaneous Matters

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

BOND INSURANCE GENERAL RISKS

The City has obtained a commitment from the Insurer to provide the Policy relating to the Certificates. The following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the beneficial owner as a voidable preference under applicable bankruptcy law may be covered by the Policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. (See "THE CERTIFICATES – Default and Remedies".) The Insurer may direct and must consent to any remedies that the Paying Agent/Registrar exercises and the Insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the sources described herein under the subcaption "THE CERTIFICATES – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Insurer and of the ratings on the Certificates insured by the Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "OTHER PERTINENT INFORMATION - Rating" herein.

The obligations of the Insurer are general obligations of the Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency of insurance companies.

None of the City, the Financial Advisor, or the Underwriter have made independent investigation into the claims paying ability of any potential Insurer and no assurance or representation regarding the financial strength or projected financial strength of any potential Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Insurer, particularly over the life of the Certificates.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings, division of Standard & Poor's Financial Services LLC business, and Fitch Ratings, Inc. have downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible.

In addition, past events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of any such bond insurer to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with and investment policies approved by the City Council.

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 (the "FDIC") 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 FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the PFIA, (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) 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 (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer 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 by clauses (1) or (12), which are 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 a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than 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 an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial 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 Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations 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, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) 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 (vi) the agreement to lend securities has a term of one year or less.

If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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 Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that 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 Texas 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 probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Under Texas 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 relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not

authorized by the City’s investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City’s entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City’s investment policy; (6) provide specific investment training for the City’s designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City’s monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

State law does not require the City to periodically mark its investments to market price, and the City does not do so, other than annually upon the conclusion of each fiscal year, for the purpose of compliance with applicable accounting policies concerning the contents of the City’s audited financial statements. Given the nature of its investments, the City does not believe that the market value of its investments differs materially from book value.

Current Investments ⁽¹⁾

As of June 30, 2021 the City held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Cash /Money Market	\$5,915,251	100%

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

⁽¹⁾ **Unaudited**

AD VALOREM TAX PROCEDURES

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner’s principal residence (“homestead” or “homesteads”) to be based solely on the property’s value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the “10% Homestead Cap”). See “Table 1 – Assessed Valuation” for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity (“Productivity Value”). The same land may not be qualified as both agricultural and open-space land. See “Table 1 – Assessed Valuation” for the reduction in taxable valuation attributable to valuation by Productivity Value.

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See “Table 1 – Assessed Valuation” for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

See “Table 1 – Assessed Valuation” for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

Other Exempt Property

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

Tax Increment Financing Zones

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

Tax Abatement Agreements

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

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

Public Hearing and Maintenance and Operation Tax Rate Limitations

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

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

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

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

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

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

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

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

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.

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.

The foregoing sections represents the City's current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

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.

Penalties and Interest

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

<u>Month</u>	<u>Penalty</u>	<u>Interest</u>	<u>Total</u>
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July ^(a)	12	6	18

^(a) After July, the penalty remains at 12% and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition the taxing unit may contract with an attorney for the collection of delinquent taxes and the amount of compensation as set forth in such contract may not provide for a fee not to exceed 20% of the amount of delinquent tax, penalty, and interest collected. 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.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$40,000.

The City has not granted an additional exemption of 20% of the appraised value of residence homesteads; minimum exemption of \$5,000.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City does not tax nonbusiness personal property; and Brazoria County Appraisal District does not collect taxes for the City. Taxes are collected by the Brazoria County Tax Assessor/Collector.

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

The City does not tax freeport property.

The City does not collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

The City has adopted two (2) tax abatement policies:

The Roughneck Storage, LLC (“Roughneck Storage”) agreement allows for a rebate of 75% (seventy-five percent) in 2022, 50% (fifty percent) in 2023, 35% (thirty-five percent) in 2024, 25% (twenty-five percent) in 2025, and 10% (ten percent) on improvements constructed or expanded on the Roughneck Storage property, and a rebate of 50% (fifty percent) in 2022, 2023, 2024 and 2025, and 10% (ten percent) in 2026 for Tangible Personal Property located on Roughneck Storage property. The agreement is in effect through December 31, 2026.

The agreement between the City and Charles and Patti Kapalski went into effect on January 1, 2018. 75% (seventy-five percent) shall be abated for the first year, 65% (sixty-five percent) the second, and 50% (fifty percent) the third, fourth and fifth years. The agreement continues through December 31, 2022.

The City does not participate in any tax increment financing zones.

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, which grants the City power to impose and levy a 1% Local Sales and Use Tax within the City. The City's net collections on a fiscal year basis are shown in Table 8 of Appendix A – Financial Information of the City.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for the purpose of reducing its ad valorem taxes, if approved by a majority of the voters in a local option election. If the additional tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election. The City approved an additional sales and use tax of ½ of 1% for economic development (4B) as of October 1995.

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 Legal Opinion of Bond Counsel.

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

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

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

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the facilities financed or refinanced with the proceeds of the Certificates. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders 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 Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond 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 Bond 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 Bond 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 Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Bond 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 Bond 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 Bonds 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 Bonds 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 Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

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 a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City’s continuing disclosure obligation because the City does not currently have outstanding more than \$10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an “obligated person” with respect to the Certificates, within the meaning of the Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”) through its Electronic Municipal Market Access (“EMMA”) system.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve (12) months after the end of each fiscal year ending in and after 2021. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access (“EMMA”) system at www.emma.msrb.org.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Website or filed with the United States Securities and Exchange Commission (the “SEC”), as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial information by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City’s current fiscal year end is September 30. Accordingly, audited financial statements must be provided by September 30 of each year (or unaudited financial statements if audited financial statements are not available), unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

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

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

For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org. The foregoing information to be provided under "Annual Reports" and "Notice of Certain Events" may also be obtained from: Debbie Sutherland, City Manager, City of West Columbia, 512 E. Brazos Avenue, West Columbia, Texas 77486; Phone: 979.345.3123.

Limitations and Amendments

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

The City may amend its agreement 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 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 either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Certificates. The City may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the City amends its agreement, it must 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 information and data provided.

Compliance with Prior Agreements

The City has not previously made a continuing disclosure agreement pursuant to the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Certificates have not been qualified under the Securities Act of Texas 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.

Future Debt Issuance

The City does not anticipate issuing any additional debt within the next twelve (12) months.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Certificates be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION - 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 capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of the Texas Local Government Code expressly provides that certificates of obligation approved by the Attorney General of Texas are legal authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

Legal Matters

The City will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the initial Certificate is a valid and legally binding obligation of the City, and based upon examination of such transcript of proceedings, the legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein.

Though it may represent the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by, and only represents, the City in the issuance of the Certificates. Except as noted below, Bond Counsel did not take part in the preparation of this Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., Dallas, Texas has reviewed the information under the captions and subcaptions "THE CERTIFICATES" (except for the last sentence under the subcaption "Tax Rate Limitations" and the subcaptions "Payment Record" and "Default and Remedies" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except the information under the subcaption "Compliance with Prior Agreements" as to which no opinion is expressed), and the subcaptions "Registration and Qualification of Certificates for Sale", "Legal Investments and Eligibility to Secure Public Funds in Texas", and "Legal Matters" (excluding the last two sentences of the third paragraph thereof) under the caption "OTHER PERTINENT INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished.

The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by Locke Lord LLP, Austin, Texas, as counsel to the Underwriter. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the 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 from the transaction.

Rating

The Certificates are rated "AA" (Stable Outlook) by S&P with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Certificates will be issued by Assured Guaranty Municipal Corp. The Certificates and the City's currently outstanding debt have been rated "A+" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the rating agency. A rating by a rating agency reflects only the view of such company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

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

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of \$6,111,443.50 (representing the par amount of the Certificates of \$5,915,000, plus a net reoffering premium of \$239,558.50, and less an Underwriting discount of \$43,115.00), and accrued interest on the Certificates in the amount of \$3,051.56.

The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

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

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for its own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

Links to Websites

The City has provided links to websites in this Official Statement to allow investors independent access to information or expertise that may be of value. INFORMATION ON SUCH WEBSITES IS NOT INCORPORATED INTO THIS OFFICIAL STATEMENT BY REFERENCE OR OTHERWISE. The inclusion of any links does not imply a recommendation or endorsement of the information or views expressed within a website. The City has not participated in the preparation, compilation or selection of information or views in any website referenced in this Official Statement, and assumes no responsibility or liability for the information or views, or accuracy or completeness thereof, in any website referenced herein.

Forward-Looking Statements Disclaimer

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

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

Concluding Statement

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. 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 statutes, documents and ordinances in all respects.

This Official Statement has been Approved by the City Council for distribution in accordance with the provisions of the Rule.

CITY OF WEST COLUMBIA, TEXAS

/s/ Laurie B. Kincannon

Mayor

City of West Columbia, Texas

ATTEST:

/s/ Kelli Kuban

City Secretary

City of West Columbia, Texas

APPENDIX A

**FINANCIAL INFORMATION RELATING TO
THE CITY OF WEST COLUMBIA, TEXAS**

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FINANCIAL INFORMATION OF THE CITY

ASSESSED VALUATION

TABLE 1

2020 Certified Market Value of Taxable Property (100% of Market Value)	\$ 218,027,782
Less Exemptions:	
Over-65 or Disabled Exemption	\$ 13,163,931
Veterans' Exemption	1,389,771
Productivity Value Loss	1,143,349
Abatement Loss	105,100
10% Per Year Cap on Res. Homesteads	9,375,253
TOTAL EXEMPTIONS	<u>25,177,404</u>
2020 Certified Assessed Value of Taxable Property	\$ <u>192,850,378</u>
2021 Estimated Assessed Value of Taxable Property	\$ <u>205,777,271</u>

Source: Brazoria County Appraisal District.

GENERAL OBLIGATION BONDED DEBT ⁽¹⁾

(as of July 1, 2021)

General Obligation Debt Principal Outstanding

The Certificates	\$ 5,915,000
Total Gross General Obligation Debt	\$ <u>5,915,000</u>
2021 Preliminary Net Assessed Valuation	\$ 205,777,271
Ratio of Total Gross General Obligation Debt Principal to 2021 Preliminary Net Taxable Assessed Valuation	2.87%
Population: 1990 - 4,372; 2000 - 4,255; 2010 - 3,905; est. 2021 - 4,000	
Per Capita Certified Net Taxable Assessed Valuation - \$51,444.32	
Per Capita Gross General Obligation Debt Principal - \$1,478.75	

⁽¹⁾ Unaudited.

DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

Enterprise Debt

In March 2020, the City was approved for a loan for \$ 264,872 with an interest rate of 3.20%. The proceeds of this loan were used to purchase a utility freightliner. The City is required to make sixty monthly payments of \$ 4,793 beginning in May 2020.

In May 2020, the City was approved for a loan for \$ 770,000 with an interest rate of 0.00% for the first three years and an interest rate of 2.04% for the remaining eighteen years. The proceeds of this loan were used for utility relocation for a state highway improvement project to widen State Highway 36 – Segment 10. The City is required to make twenty-one annual payments of \$ 42,800 for the first three years and \$ 51,420 for the remaining eighteen years beginning in November 2023.

Aggregate maturities of these notes payable for the years subsequent to September 30, 2020 are as follows:

<u>FYE 9/30</u>	<u>Principal</u>	<u>Interest</u>
2021	\$ 50,422	\$ 7,091
2022	52,060	5,453
2023	53,750	3,763
2024	93,060	7,253
2025	69,315	15,290
2026-2030	193,862	63,238
2031-2035	214,459	42,640
2036-2040	237,245	19,855
2041	<u>50,392</u>	<u>1,028</u>
Totals	\$ <u>1,014,565</u>	\$ <u>165,611</u>

Source: The City's Comprehensive Annual Report for Fiscal Year Ending September 30, 2020.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

(as of July 1, 2021)

Fiscal Year Ending (9/30)	Current Outstanding Debt Service	The Certificates			Combined Debt Service
		Principal	Interest	Total	
2022	\$ -	\$ 130,000	\$ 156,938	\$ 286,938	\$ 286,938
2023	-	130,000	153,038	283,038	283,038
2024	-	135,000	149,138	284,138	284,138
2025	-	140,000	145,088	285,088	285,088
2026	-	145,000	140,888	285,888	285,888
2027	-	145,000	136,538	281,538	281,538
2028	-	150,000	132,188	282,188	282,188
2029	-	155,000	127,688	282,688	282,688
2030	-	160,000	123,038	283,038	283,038
2031	-	165,000	118,238	283,238	283,238
2032	-	170,000	113,288	283,288	283,288
2033	-	175,000	108,188	283,188	283,188
2034	-	180,000	102,938	282,938	282,938
2035	-	185,000	97,538	282,538	282,538
2036	-	190,000	91,988	281,988	281,988
2037	-	195,000	86,288	281,288	281,288
2038	-	205,000	80,438	285,438	285,438
2039	-	210,000	74,288	284,288	284,288
2040	-	215,000	67,988	282,988	282,988
2041	-	220,000	61,538	281,538	281,538
2042	-	225,000	56,588	281,588	281,588
2043	-	230,000	51,525	281,525	281,525
2044	-	235,000	46,350	281,350	281,350
2045	-	245,000	41,063	286,063	286,063
2046	-	250,000	35,550	285,550	285,550
2047	-	255,000	29,925	284,925	284,925
2048	-	260,000	24,188	284,188	284,188
2049	-	265,000	18,338	283,338	283,338
2050	-	270,000	12,375	282,375	282,375
2051	-	280,000	6,300	286,300	286,300
Total	\$ -	\$ 5,915,000	\$ 2,589,450	\$ 8,504,450	\$ 8,504,450

TAX ADEQUACY

2021 Preliminary Net Taxable Assessed Valuations	\$ 205,777,271
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	\$ 286,938 *
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.1367

* Includes the Certificates.

Note: AV computations are exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of July 1, 2021)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding	The Certificates	Total		
2022	\$ -	\$ 130,000	\$ 130,000	\$ 5,785,000	2.20%
2023	-	130,000	130,000	5,655,000	4.40%
2024	-	135,000	135,000	5,520,000	6.68%
2025	-	140,000	140,000	5,380,000	9.04%
2026	-	145,000	145,000	5,235,000	11.50%
2027	-	145,000	145,000	5,090,000	13.95%
2028	-	150,000	150,000	4,940,000	16.48%
2029	-	155,000	155,000	4,785,000	19.10%
2030	-	160,000	160,000	4,625,000	21.81%
2031	-	165,000	165,000	4,460,000	24.60%
2032	-	170,000	170,000	4,290,000	27.47%
2033	-	175,000	175,000	4,115,000	30.43%
2034	-	180,000	180,000	3,935,000	33.47%
2035	-	185,000	185,000	3,750,000	36.60%
2036	-	190,000	190,000	3,560,000	39.81%
2037	-	195,000	195,000	3,365,000	43.11%
2038	-	205,000	205,000	3,160,000	46.58%
2039	-	210,000	210,000	2,950,000	50.13%
2040	-	215,000	215,000	2,735,000	53.76%
2041	-	220,000	220,000	2,515,000	57.48%
2042	-	225,000	225,000	2,290,000	61.28%
2043	-	230,000	230,000	2,060,000	65.17%
2044	-	235,000	235,000	1,825,000	69.15%
2045	-	245,000	245,000	1,580,000	73.29%
2046	-	250,000	250,000	1,330,000	77.51%
2047	-	255,000	255,000	1,075,000	81.83%
2048	-	260,000	260,000	815,000	86.22%
2049	-	265,000	265,000	550,000	90.70%
2050	-	270,000	270,000	280,000	95.27%
2051	-	280,000	280,000	-	100.00%
Total	\$ -	\$ 5,915,000	\$ 5,915,000		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021

TABLE 3

Tax Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012	\$ 121,879,277	---	---
2013	123,690,994	1,811,717	1.49%
2014	126,717,302	3,026,308	2.45%
2015	133,468,664	6,751,362	5.33%
2016	148,408,633	14,939,969	11.19%
2017	157,937,163	9,528,530	6.42%
2018	165,542,155	7,604,992	4.82%
2019	169,431,831	3,889,676	2.35%
2020	192,850,378	23,418,547	13.82%
2021	205,777,271	12,926,893	6.70%

Source: Brazoria County Appraisal District.

PRINCIPAL TAXPAYERS 2020

TABLE 4

<u>Name</u>	<u>Type of Business/Property</u>	<u>2020 Net Taxable Assessed Valuation</u>	<u>% of Total 2020 Assessed Valuation</u>
Texas New Mexico Power Co	Utility	\$ 7,323,670	3.80%
West Columbia Storage LLC	Storage Facility	2,523,290	1.31%
West Columbia Cottage & RV Resort Park	RV Park	2,131,530	1.11%
Wal-Mart Stores Texas LLC	Retailer	2,066,190	1.07%
710 Loggin Apt LLC	Apartments	2,058,370	1.07%
West Columbia Live Oak Gardens	Apartments	1,954,000	1.01%
HEB Grocery Company	Grocery Store	1,916,250	0.99%
Primetime 180 W. Texaco LLC	Gas Station	1,772,250	0.92%
OM & Anya LP	Hotel	1,424,650	0.74%
Wal-Mart Stores, Inc.	Retailer	1,250,466	0.65%
		<u>\$ 24,420,666</u>	<u>12.66%</u>

Source: Brazoria County Appraisal District.

TAX DATA

TABLE 5

Tax Year	Net Taxable		Tax Levy	% of Collections		Year Ended
	Assessed	Tax Rate		Current	Total	
2012	\$ 121,879,277	\$0.831900	\$ 1,013,914	97.24%	100.27%	9/30/2013
2013	123,690,994	0.831900	1,028,985	97.51%	100.16%	9/30/2014
2014	126,717,302	0.831900	1,054,161	97.48%	99.38%	9/30/2015
2015	133,468,664	0.830000	1,107,790	97.49%	100.66%	9/30/2016
2016	148,408,633	0.685300	1,017,044	96.97%	99.10%	9/30/2017
2017	157,937,163	0.670000	1,058,179	96.36%	98.74%	9/30/2018
2018	165,542,155	0.820000	1,357,446	96.85%	98.94%	9/30/2019
2019	169,431,831	0.820000	1,389,341	96.84%	99.48%	9/30/2020
2020	192,850,378	0.731800	1,411,279	90.34%	92.13%	9/30/2021 *
2021	205,777,271					9/30/2022

* Collections as of July 21, 2021.

TAX RATE DISTRIBUTION

TABLE 6

	2020	2019	2018	2017	2016
General Fund	\$ 0.7318	\$ 0.8200	\$ 0.8200	\$ 0.8200	\$ 0.8300
Total	\$ 0.7318	\$ 0.8200	\$ 0.8200	\$ 0.8200	\$ 0.8300

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Brazoria County Appraisal District, the City's Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2020, and information supplied by the City.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 7

	2020*	% of Total	2019	% of Total	2018	% of Total
Real, Residential, Single-Family	\$ 137,445,344	63.04%	\$ 117,977,011	62.52%	\$ 111,353,800	61.10%
Real, Residential, Multi-Family	10,007,912	4.59%	8,301,920	4.40%	8,412,042	4.62%
Real, Vacant Lots/Tracts	3,741,850	1.72%	2,716,232	1.44%	2,809,902	1.54%
Real, Acreage (Land Only)	1,160,378	0.53%	826,987	0.44%	786,699	0.43%
Real, Farm and Ranch Improvements	1,908,719	0.88%	1,128,230	0.60%	1,180,033	0.65%
Real, Commercial and Industrial	39,851,789	18.28%	36,316,649	19.25%	37,298,890	20.46%
Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Real & Tangible, Personal Utilities	9,630,850	4.42%	8,802,210	4.66%	8,547,620	4.69%
Tangible Personal Business	12,555,100	5.76%	10,760,090	5.70%	10,091,810	5.54%
Tangible Personal, Mobile Homes	1,655,410	0.76%	1,680,350	0.89%	1,680,480	0.92%
Residential Inventory	59,360	0.03%	179,340	0.10%	12,390	0.01%
Special Inventory	11,070	0.01%	17,440	0.01%	85,640	0.05%
Total Appraised Value	\$ 218,027,782	100.00%	\$ 188,706,459	100.00%	\$ 182,259,306	100.00%
Less:						
Over-65 or Disabled Exemption	\$ 13,163,931		\$ 12,952,827		\$ 12,520,084	
Veterans' Exemption	1,389,771		1,122,330		983,570	
Productivity Value Loss	1,143,349		809,718		769,574	
Abatement Loss	105,100		128,063		147,766	
10% Per Year Cap on Res. Homesteads	9,375,253		4,261,690		2,296,157	
Net Taxable Assessed Valuation	\$ 192,850,378		\$ 169,431,831		\$ 165,542,155	

Source: Brazoria County Appraisal District.

*2021 Classification of Values unavailable at time of printing.

MUNICIPAL SALES TAX COLLECTIONS

TABLE 8

The City has adopted the provisions of Chapter 321, as amended, Texas Tax Code. In addition, some issuers are subject to a property tax relief and/or an economic and industrial development sales tax. The City's approved a 1/2 of 1 cent sales tax for its Economic Development Corporation (4B) that was approved by the voters and effective October of 1995. Collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2012	\$ 730,961	72.09%	\$ 0.600
2013	716,305	69.61%	0.579
2014	819,455	77.74%	0.647
2015	972,480	87.79%	0.729
2016	856,985	84.26%	0.577
2017	961,207	90.84%	0.609
2018	871,901	64.23%	0.527
2019	895,703	64.47%	0.529
2020	996,907	70.64%	0.517
2021	559,978	(As of June 2021)	

Source: State Comptroller's Office of the State of Texas.

OVERLAPPING DEBT INFORMATION

(as of July 1, 2021)

The following table indicates the indebtedness, defined as outstanding bonds payable from ad valorem taxes, of governmental entities overlapping the City and the estimated percentages and amounts of such indebtedness attributable to property within the City. Expenditures of the various taxing bodies overlapping the territory of the City are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following statements of direct and estimated overlapping ad valorem tax bonds was developed from information contained in the "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the Issuer, 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 below may have authorized or issued additional bonds since the date stated below, and such entities may have programs requiring the authorization and/or issuance of substantial amounts of additional bonds, the amount of which cannot be determined.

Taxing Body	Gross Debt (As of 7/1/21)	% Overlapping	Amount Overlapping
Brazoria County	\$ 135,313,313	0.63%	\$ 852,474
Columbia- Brazoria ISD	37,555,000	17.89%	6,718,590
Port Freeport	68,800,000	1.28%	880,640
Total Gross Overlapping Debt			\$ 8,451,703
West Columbia, City of			\$ 5,915,000 *
Total Gross Direct and Overlapping Debt			\$ 14,366,703 *
Ratio of Direct and Overlapping Debt to Net Assessed Valuation			7.45% *
Per Capita Direct and Overlapping Debt			\$3,591.68 *

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

* Includes the Certificates.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Brazoria County	\$ 34,602,922,025	100%	\$ 0.286000
Columbia- Brazoria ISD	1,480,267,022	100%	1.088000
Port Freeport	15,742,132,140	100%	0.040000

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

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Amount Authorized	Amount Issued to Date	Amount Unissued
Brazoria County	None			
Columbia- Brazoria ISD	None			
Port Freeport	5/5/2018	\$ 130,000,000	\$ 74,200,000	\$ 55,800,000

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the City. Such summary has been prepared for inclusion herein based upon information obtained from the City's audited financial statements and records. Reference is made to such statements for further and complete information.

	Fiscal Year Ended				
	9/30/2020*	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Fund Balance - Beginning of Year	\$ 1,409,348	\$ 1,544,070	\$ 1,195,270	\$ 1,105,414	\$ 1,162,931
Revenues	\$ 2,852,104	\$ 2,745,416	\$ 3,048,075	\$ 3,578,751	\$ 2,709,489
Expenditures	2,716,111	2,989,005	2,776,463	3,515,190	2,915,464
Excess (Deficit) of Revenues Over Expenditures	\$ 135,993	\$ (243,589)	\$ 271,612	\$ 63,561	\$ (205,975)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 242,333	\$ 245,805	\$ 237,720	\$ 194,008	\$ 233,841
Operating Transfers Out	(141,516)	(136,938)	(160,532)	(167,713)	(159,128)
Issuance of a Loan	-	-	-	-	73,745
Total Other Financing Sources (Uses):	\$ 100,817	\$ 108,867	\$ 77,188	\$ 26,295	\$ 148,458
Fund Balance - End of Year	\$ 1,646,158	\$ 1,409,348	\$ 1,544,070	\$ 1,195,270	\$ 1,105,414

Source: The City's Comprehensive Annual Report for Fiscal Year Ending September 30, 2020.

* The City anticipates ending the fiscal year 2021 with a general fund balance of \$1,500,000 (unaudited).

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS

TABLE 10

Information pertaining to the City's pension plan and other post-employment benefits can be found within the City's Audit under "NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN".

UTILITY SYSTEM PLANT IN OPERATION

TABLE 11

	<u>FYE 9/30/2020</u>
Land	\$ 41,750
Construction in Progress	45,661
Buildings and Improvements	238,000
Equipment	360,295
Vehicles	518,635
Water and Sewer Infrastructure	<u>8,674,841</u>
Less: Accumulated Depreciation	<u>(5,501,431)</u>
Net Capital Assets	<u>\$ 4,377,751</u>

Source: The City's Annual Financial Report for fiscal year ended September 30, 2020.

WATER AND SEWER OPERATING SYSTEM

TABLE 12

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, bad debt, debt service payments and expenditures identified as capital.

	Fiscal Year Ended				
	9/30/2020	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Revenues	\$ 1,735,161	\$ 2,324,241	\$ 1,754,938	\$ 1,567,793	\$ 1,528,363
Expenses	<u>1,916,376</u>	<u>1,297,128</u>	<u>1,248,483</u>	<u>1,192,713</u>	<u>1,299,638</u>
Net Revenue Available for Debt Service	\$ (181,215)	\$ 1,027,113	\$ 506,455	\$ 375,080	\$ 228,725
Customer Count:					
Water	1,513	1,528	1,520	1,520	1,518
Sewer	1,465	1,477	1,478	1,478	1,476

Source: The City's Annual Financial Reports and information provided by the City.

WATER RATES

TABLE 13

New Rates
(Effective September 14, 2020)
\$16.46 for the first 1,000 gallons and \$4.75/1,000 gallons thereafter
Old Rates
(Effective September 9, 2019)
\$16.29 for the first 1,000 gallons and \$4.71/1,000 gallons thereafter

SEWER RATES

TABLE 14

New Rates
(Effective September 14, 2020)
\$16.46 for the first 1,000 gallons and \$4.75/1,000 gallons thereafter
Old Rates
(Effective September 9, 2019)
\$16.29 for the first 1,000 gallons and \$4.71/1,000 gallons thereafter

APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF WEST COLUMBIA, TEXAS
AND BRAZORIA COUNTY, TEXAS**

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CITY OF WEST COLUMBIA, TEXAS

Location

The City of West Columbia, Texas (the “City”) is located southwest of downtown Houston, Texas. In 1836 it was established as Columbia by Josiah Hughes Bell. The town hosted the First Congress of the Republic of Texas on October 22, 1836 and was briefly the capital of the Republic of Texas from September to December 1836. The town was so small that there were not enough living quarters for government officials. It was voted then to move the capital to Houston and in 1839, once again, the capital was moved to Austin, Texas. In 1918 oil was discovered in the town and it became a center for cotton, oil and rice. Amid the tall oak and pecan trees and the mighty Brazos River lays the City of West Columbia.

Government

The City is a General Law municipality. The City operates according to specific state statues prescribing powers and duties. The City Council is composed of five Council members and a Mayor. Day-to-Day operations fall to a full-time City Manager.

Population

Calendar Year	City of West Columbia
2010	3,897
2011	3,888
2012	3,888
2013	3,881
2014	3,903
2015	3,889
2016	3,889
2017	3,899
2018	3,885
2019	3,842
2020	3,830
2021	4,000*

Source: US Census Bureau

*Estimated Population from the City.

Economy

The City is a market and tourist center. Major employers include Columbia-Brazoria ISD, Wal-Mart, HEB, CVS, and Walgreens. The City is close enough to other major cities that most residents commute to work.

BRAZORIA COUNTY, TEXAS

Location

Brazoria County, Texas (the “County”) was created in 1832. The name comes from the Brazos River which runs right through it. The County has a square mileage of 1,609 and its county seat is Angleton. The County is included in the Houston-The Woodlands-Sugar Land metropolitan statistical area and is located in the Gulf Coast region of Texas.

Activities and attractions: Bridge to Nowhere, a lattice-framed bridge still in service. The County also has several museums and parks throughout the region.

Labor Force Statistics ⁽¹⁾

	<u>2021 ⁽²⁾</u>	<u>2020 ⁽³⁾</u>	<u>2019 ⁽³⁾</u>	<u>2018 ⁽³⁾</u>
Civilian Labor Force	178,297	177,709	179,690	176,525
Total Employed	165,796	162,442	172,115	168,471
Total Unemployed	12,501	15,267	7,575	8,054
% Unemployment	7.0%	8.6%	4.2%	4.6%
%Unemployed (Texas)	5.9%	7.6%	3.5%	3.9%
%Unemployed (U.S.)	5.5%	8.1%	3.7%	3.9%

(1) Source: Texas Workforce Commission.

(2) As of May 2021.

(3) Average annual statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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PROPOSED FORM OF OPINION OF BOND COUNSEL

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

**CITY OF WEST COLUMBIA, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$5,915,000**

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

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

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

IT IS FURTHER OUR OPINION THAT, except as discussed below, the interest on the Certificates is excludable from the gross income of the owners 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 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 upon if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

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

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

Respectfully,

APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

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

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Independent Auditor's Report

To The Honorable Mayor and
Members of City Council
City of West Columbia
West Columbia, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of West Columbia (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 risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Lake Jackson
8 W Way Ct.
Lake Jackson, TX 77566
979-297-4075

El Campo
201 W. Webb St.
El Campo, TX 77437
979-543-6836

Angleton
2801 N. Velasco, Suite C
Angleton, TX 77515
979-849-8297

Bay City
2245 Avenue G
Bay City, TX 77414
979-245-9236



Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and the required pension schedules on pages 11 through 21 and pages 70 through 81 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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 combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 3, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

KM&L, LLC

Lake Jackson, Texas
March 3, 2021

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CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis For the Year Ended September 30, 2020

As management of the City of West Columbia (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 \$ 12,072,607 (net position). Of this amount, \$ 3,966,652 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors in accordance with the City's fund designation.
- The City's total net position decreased by \$ 68,451 (governmental activities increased by \$ 572,523 and business-type activities decreased by \$ 640,974).
- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,622,975. 42.86% of this total amount, \$ 1,552,883 (unassigned fund balance), is available for use within the City's fund designation.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$ 1,554,476 or 57.23% of the total general fund expenditures.

Overview of the Financial Statements

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

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

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

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2020*

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

The government-wide financial statements can be found on pages 22 through 25 of this report.

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

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

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

The City maintains seven (7) 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, Economic Development Corporation Fund, and the Capital Improvement Fund; all of which are considered to be major funds. Data for the other four (4) funds are combined into a single, aggregated presentation. The governmental fund financial statements can be found on pages 26 through 30.

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2020*

- **Proprietary Funds.** The City maintains one category of *proprietary funds*-Enterprise Funds. Enterprise funds are used to report the same functions presented as business-type activities in government-wide financial statements. The City uses enterprise funds to account for its water and sewer operations. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 32 through 37 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 40 through 67 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, which includes budgetary comparison information and pension related schedules. Required supplementary information can be found on pages 70 through 81 of this report.

The combining and individual fund statements and schedules are presented following the required supplementary information. These combining and individual statements and schedules can be found on pages 85 through 93 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$ 12,072,607 as of September 30, 2020.

The largest portion of the City's net position (64.05%) reflects its investments in capital assets (e.g., land, construction in progress, buildings, land improvements, water and sewer infrastructure, equipment and vehicles), less any debt used to acquire those assets that is still outstanding. The City uses capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF WEST COLUMBIA, TEXAS

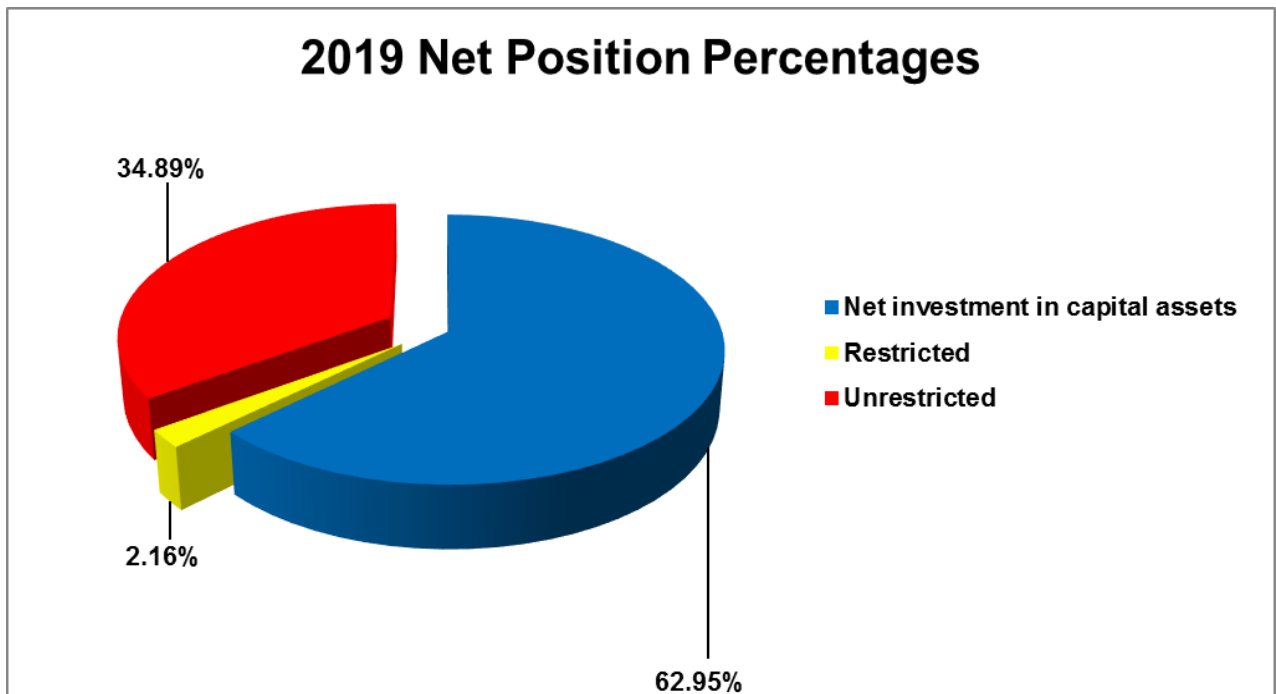
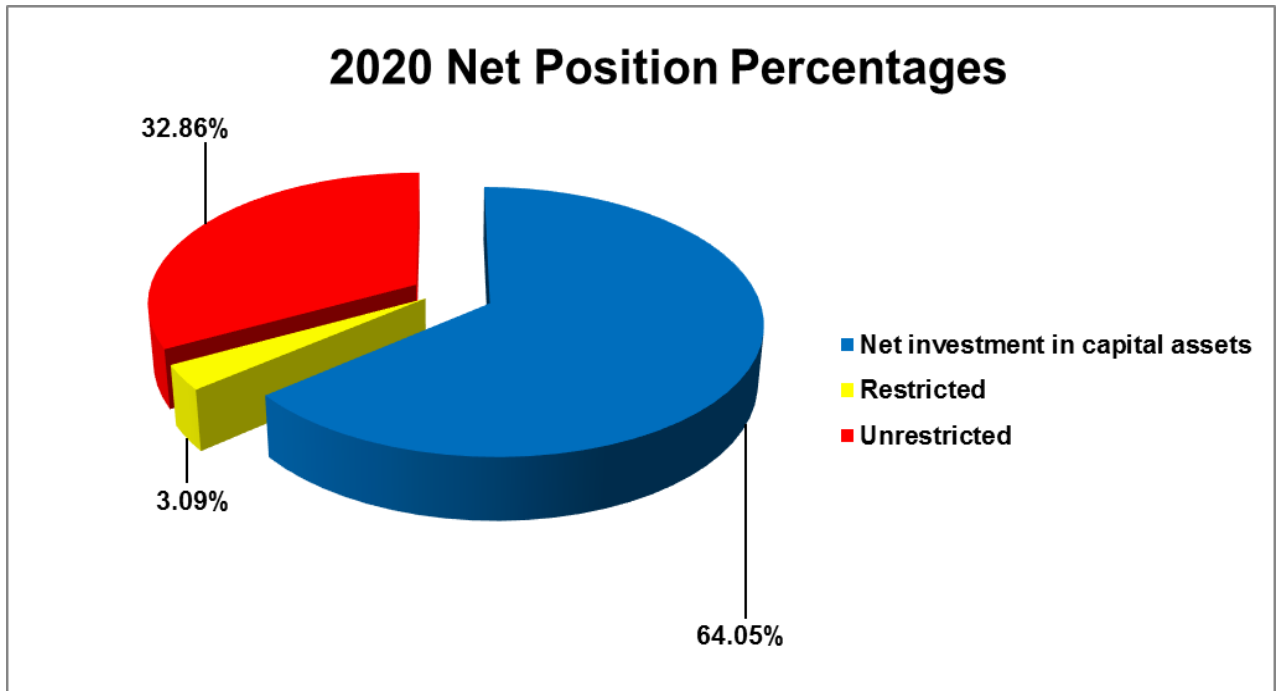
*Management's Discussion and Analysis
For the Year Ended September 30, 2020*

CITY'S NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30		September 30,	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current and other assets	\$ 3,936,226	\$ 3,204,958	\$ 1,931,568	\$ 1,648,345	\$ 5,867,794	\$ 4,853,303
Noncurrent assets	516,361	231,829	172,120	77,276	688,481	309,105
Capital assets	<u>2,796,639</u>	<u>2,912,436</u>	<u>4,377,751</u>	<u>4,245,742</u>	<u>7,174,390</u>	<u>7,158,178</u>
Total assets	<u>7,249,226</u>	<u>6,349,223</u>	<u>6,481,439</u>	<u>5,971,363</u>	<u>13,730,665</u>	<u>12,320,586</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred outflows of resources	<u>77,375</u>	<u>386,846</u>	<u>16,814</u>	<u>126,618</u>	<u>94,189</u>	<u>513,464</u>
Total deferred outflows of resources	<u>77,375</u>	<u>386,846</u>	<u>16,814</u>	<u>126,618</u>	<u>94,189</u>	<u>513,464</u>
LIABILITIES						
Current and other liabilities	137,217	124,134	256,058	219,732	393,275	343,866
Long-term liabilities	<u>142,309</u>	<u>95,504</u>	<u>1,023,060</u>	<u>5,573</u>	<u>1,165,369</u>	<u>101,077</u>
Total liabilities	<u>279,526</u>	<u>219,638</u>	<u>1,279,118</u>	<u>225,305</u>	<u>1,558,644</u>	<u>444,943</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred inflows of resources	<u>145,236</u>	<u>187,115</u>	<u>48,367</u>	<u>60,934</u>	<u>193,603</u>	<u>248,049</u>
Total deferred inflows of resources	<u>145,236</u>	<u>187,115</u>	<u>48,367</u>	<u>60,934</u>	<u>193,603</u>	<u>248,049</u>
NET POSITION						
Net investment in capital assets	3,599,020	3,396,568	4,133,188	4,245,742	7,732,208	7,642,310
Restricted	67,746	66,616	306,001	196,164	373,747	262,780
Unrestricted	<u>3,235,073</u>	<u>2,866,132</u>	<u>731,579</u>	<u>1,369,836</u>	<u>3,966,652</u>	<u>4,235,968</u>
Total net position	<u>\$ 6,901,839</u>	<u>\$ 6,329,316</u>	<u>\$ 5,170,768</u>	<u>\$ 5,811,742</u>	<u>\$ 12,072,607</u>	<u>\$ 12,141,058</u>

An additional portion of the City's net position of \$ 373,747 (3.09%) represents resources that are subject to restrictions on how they may be used. The remaining balance of unrestricted net position of \$ 3,966,652 (32.86%) may be used to meet the government's ongoing obligations to citizens and creditors.

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2020



Analysis of the City's Operations. The following table provides a summary of the City's operations for the year ended September 30, 2020. Business-type activities decreased the City's net position by \$ 640,974. Governmental activities increased the City's net position by \$ 572,523.

CITY OF WEST COLUMBIA, TEXAS

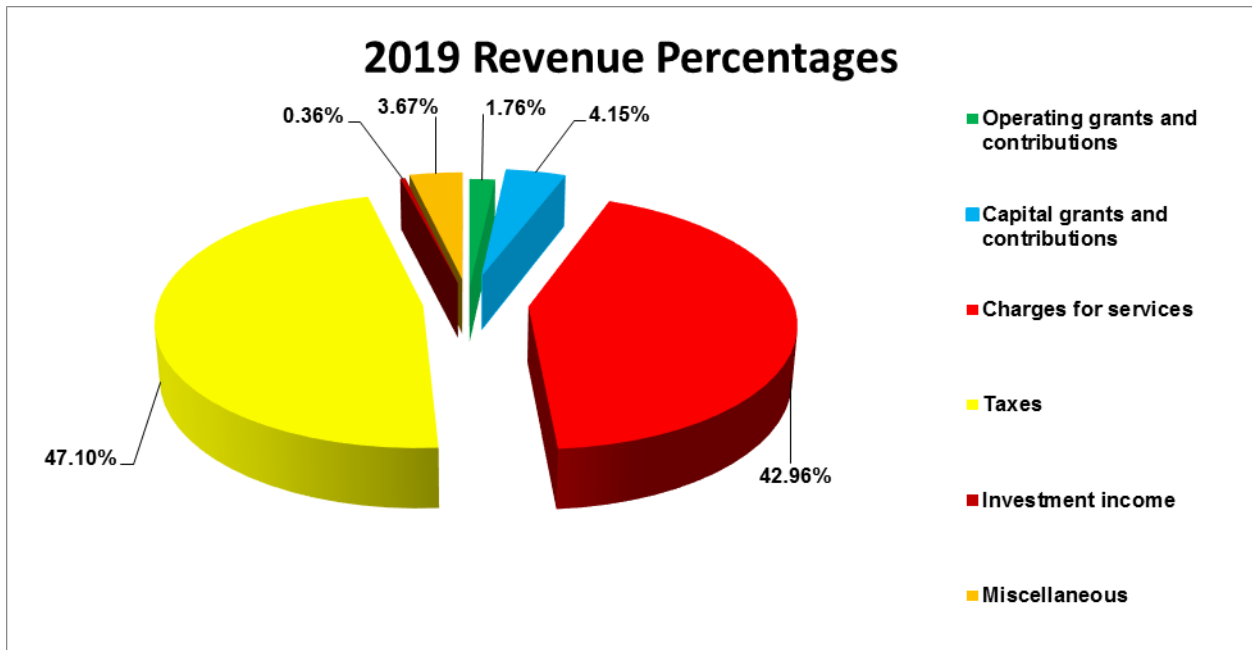
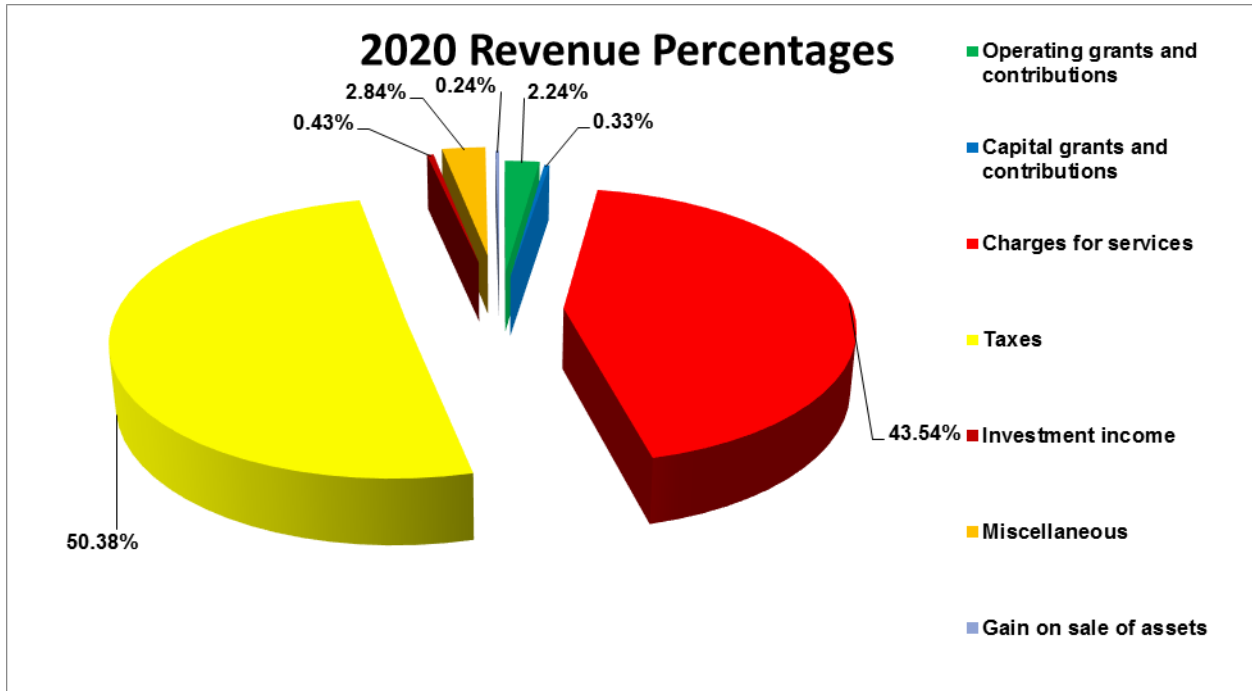
Management's Discussion and Analysis

For the Year Ended September 30, 2020

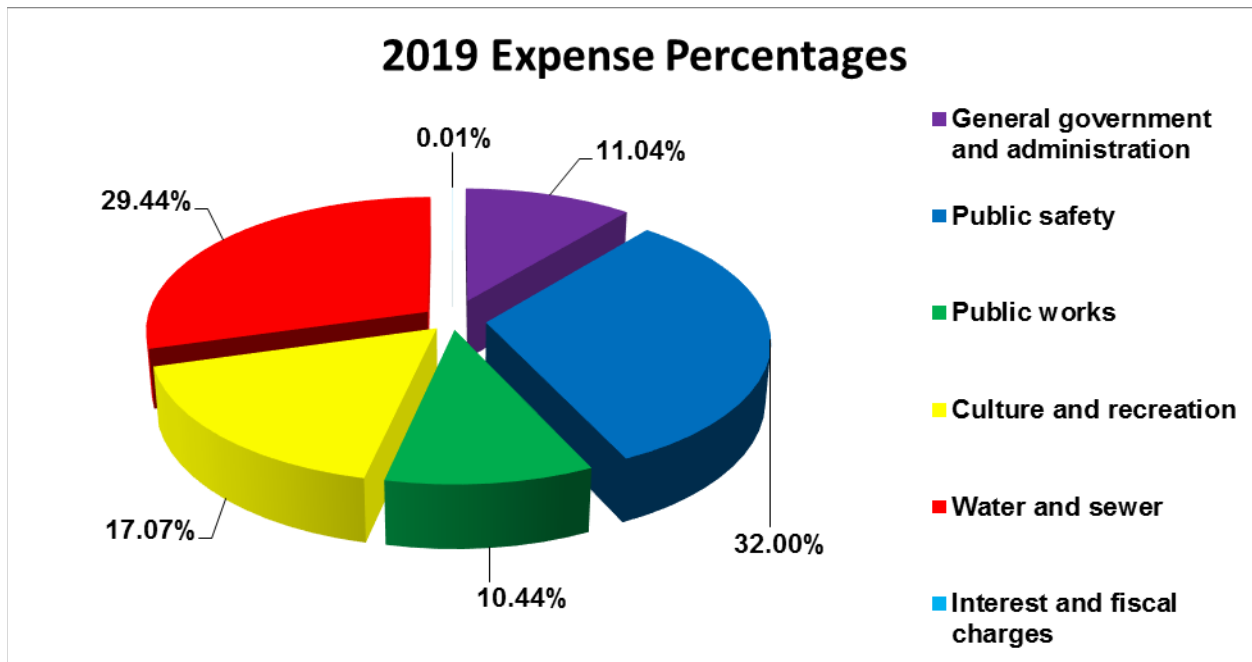
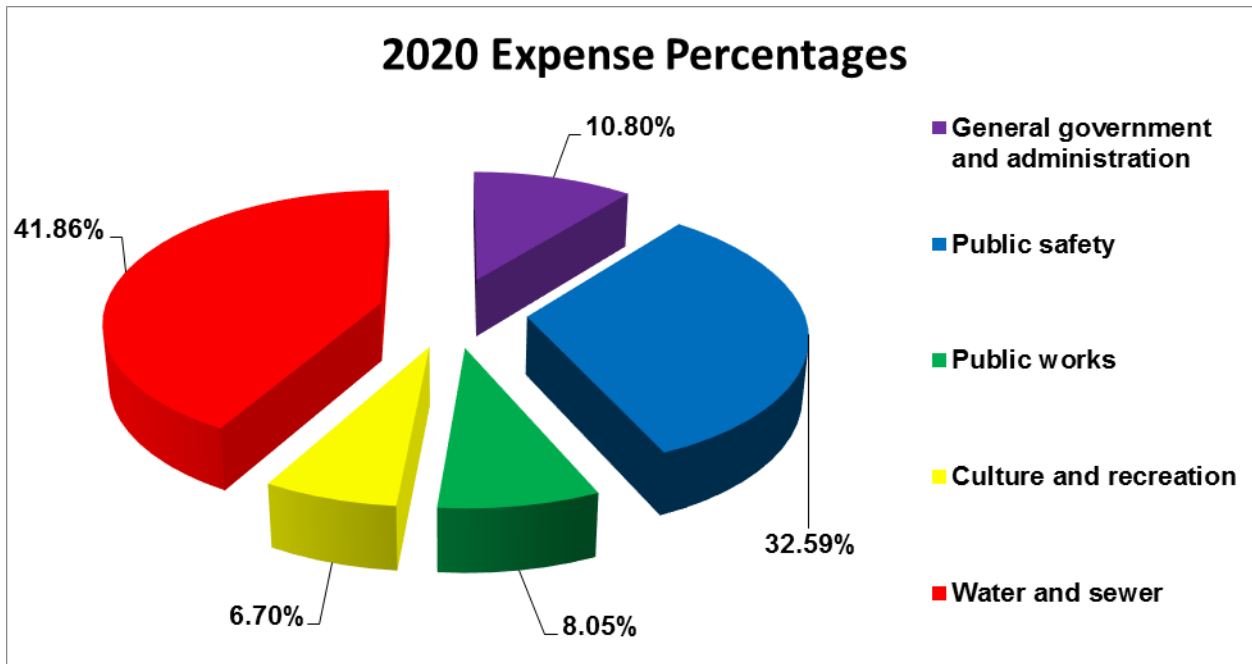
CITY'S CHANGES IN NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 559,760	\$ 539,981	\$ 1,614,714	\$ 1,648,502	\$ 2,174,474	\$ 2,188,483
Operating grants and contributions	81,494	33,134	30,502	56,722	111,996	89,856
Capital grants and contributions	16,765	21,651		190,000	16,765	211,651
General Revenues:						
Property taxes	1,394,917	1,358,830			1,394,917	1,358,830
Sales tax	989,500	894,362			989,500	894,362
Franchise taxes	91,419	103,184			91,419	103,184
Occupancy taxes	40,220	43,185			40,220	43,185
Investment Income	15,239	13,558	6,447	4,498	21,686	18,056
Miscellaneous	69,955	67,868	71,718	118,816	141,673	186,684
Gain on sale of assets			11,780		11,780	-0-
Total revenues	<u>3,259,269</u>	<u>3,075,753</u>	<u>1,735,161</u>	<u>2,018,538</u>	<u>4,994,430</u>	<u>5,094,291</u>
Expenses:						
General government and administration	546,559	553,707			546,559	553,707
Public safety	1,650,178	1,604,389			1,650,178	1,604,389
Public works	407,692	523,204			407,692	523,204
Culture and recreation	338,998	856,013			338,998	856,013
Water and sewer			2,119,454	1,476,268	2,119,454	1,476,268
Interest and fiscal charges		435			-0-	435
Total expenses	<u>2,943,427</u>	<u>3,537,748</u>	<u>2,119,454</u>	<u>1,476,268</u>	<u>5,062,881</u>	<u>5,014,016</u>
Increase (decrease) in net position before transfers	315,842	(461,995)	(384,293)	542,270	(68,451)	80,275
Transfers	<u>256,681</u>	<u>(575,027)</u>	<u>(256,681)</u>	<u>575,027</u>	<u>-0-</u>	<u>-0-</u>
Changes in net position	572,523	(1,037,022)	(640,974)	1,117,297	(68,451)	80,275
Net position – beginning	<u>6,329,316</u>	<u>7,366,338</u>	<u>5,811,742</u>	<u>4,694,445</u>	<u>12,141,058</u>	<u>12,060,783</u>
Net position – ending	<u>\$ 6,901,839</u>	<u>\$ 6,329,316</u>	<u>\$ 5,170,768</u>	<u>\$ 5,811,742</u>	<u>\$ 12,072,607</u>	<u>\$ 12,141,058</u>

CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
 For the Year Ended September 30, 2020



CITY OF WEST COLUMBIA, TEXAS
Management's Discussion and Analysis
For the Year Ended September 30, 2020



CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2020*

Financial Analysis of the City's Funds

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

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$ 3,622,975. 42.86% of this total amount, \$ 1,552,883 constitutes *unassigned fund balance*. The remainder of fund balance is *nonspendable, restricted or assigned* to indicate that it is not available for spending because it has already been classified 1) for prepaid expenditures \$ 24,732, 2) economic development \$ 1,173,394, 3) capital improvement \$ 802,381, 4) debt service \$ 796, 5) contributor purposes \$ 1,839, 6) municipal court technology \$ 12,001, 7) municipal court security \$ 51,421 and 8) police department \$ 3,528.

The General Fund balance increased by \$ 236,810; Economic Development Corporation Fund balance increased by \$ 137,269, and the Capital Improvement Fund balance increased by \$ 318,249. The non-major governmental funds fund balance decreased by \$ 1,265.

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

Net position at September 30, 2020 amounted to \$ 5,170,768. Total net position decreased \$ 640,974 (or 11.03%).

General Fund Budgetary Highlights. Differences between the original budget and the final amended budget resulted in a \$ 114,525 increase in appropriations and can be summarized as follows:

- \$ 1,315 increase in general government and administration
- \$ 84,195 increase in public safety
- \$ 24,770 decrease in public works
- \$ 13,980 decrease in culture and recreation
- \$ 67,765 increase in capital outlay

CITY OF WEST COLUMBIA, TEXAS

*Management's Discussion and Analysis
For the Year Ended September 30, 2020*

Differences between the original budget and the final amended budget resulted in a \$ 42,610 increase in revenues and can be summarized as follows:

- \$ 9,170 increase in taxes
- \$ 4,220 increase in revenue producing facilities
- \$ 97,950 decrease in fines and fees
- \$ 17,700 increase in licenses and permits
- \$ 66,630 increase in intergovernmental revenues
- \$ 42,840 increase in miscellaneous revenue

Because revenues and expenditures were less than budgetary estimates, the City's net change in fund balance was more than the budgeted amount by \$ 331,209 due to the decrease in expenditures being larger than the decrease in revenues.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to \$ 7,174,390 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, land improvements, water and sewer infrastructure, equipment and vehicles.

**Capital Assets at Year End
Net of Accumulated Depreciation**

	Governmental Activities		Business-Type Activities		Totals	
	September 30,		September 30,		September 30,	
	2020	2019	2020	2019	2020	2019
Land	\$ 436,079	\$ 436,080	\$ 41,750	\$ 41,750	\$ 477,829	\$ 477,830
Construction in progress			45,661	338,036	45,661	338,036
Buildings	833,726	869,650	94,520	97,769	928,246	967,419
Land improvements	868,654	892,398			868,654	892,398
Water and sewer infrastructure			3,749,523	3,559,486	3,749,523	3,559,486
Equipment	401,574	399,086	165,585	164,416	567,159	563,502
Vehicles	<u>256,606</u>	<u>315,222</u>	<u>280,712</u>	<u>44,285</u>	<u>537,318</u>	<u>359,507</u>
Total	<u>\$ 2,796,639</u>	<u>\$ 2,912,436</u>	<u>\$ 4,377,751</u>	<u>\$ 4,245,742</u>	<u>\$ 7,174,390</u>	<u>\$ 7,158,178</u>

Additional information on the City's capital assets can be found in Note 6 on pages 56 through 57 of this report.

CITY OF WEST COLUMBIA, TEXAS

Management's Discussion and Analysis
For the Year Ended September 30, 2020

Debt Administration

At the end of the current fiscal year, the City had a total long-term debt liability of \$ 1,165,369. Of this amount, \$ 1,014,565 of notes payable, \$ 111,389 of net pension liability and \$ 39,415 of compensated absences are backed by the full faith and credit of the City.

Outstanding Long-Term Debt at Year End

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Notes payable	\$	\$	\$ 1,014,565	\$	\$ 1,014,565	\$ -0-
Net pension liability	111,389	74,261			111,389	74,261
Compensated absences	<u>30,920</u>	<u>21,243</u>	<u>8,495</u>	<u>5,573</u>	<u>39,415</u>	<u>26,816</u>
Total	\$ <u>142,309</u>	\$ <u>95,504</u>	\$ <u>1,023,060</u>	\$ <u>5,573</u>	\$ <u>1,165,369</u>	\$ <u>101,077</u>

The City currently does not have any outstanding General Obligation Bonds, but does have other types of debt outstanding. Additional information on the City's long-term debt can be found in Note 7 on pages 57 through 58 of this report.

Economic Factors and Next Year's Budgets and Rates

In the 2020-2021 budget, despite the impact of the COVID-19 pandemic on local businesses, the city realized a 9.61% increase in sale tax revenues but many other revenues decreased due to the closure of rental facilities, reduction in traffic tickets or court appearances to meet federal and state mandates on social distancing during the pandemic. The City received the 20% advancement on the City's Coronavirus Emergency Protective Measure allocation for related expenses. In anticipation of revenue shortfalls, department heads reduced spending which offset most revenue deficits. Utility fund increased rates by 1.8% as part of its annual Consumer Price Index Adjustments as outlined by the ordinance. City Council decreased the tax rate to \$ 0.731770 per \$ 100 value as a new revenue rate.

Request for Information

This financial report is designed to provide a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Manager, P.O. Box 487, 512 E. Brazos, West Columbia, Texas, 77486, or call (979) 345-3123.

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF NET POSITION

September 30, 2020

	Governmental Activities	Business- Type Activities	Total
	<u> </u>	<u> </u>	<u> </u>
ASSETS:			
Cash and cash equivalents	\$ 3,542,576	\$ 1,059,531	\$ 4,602,107
Taxes receivable, net	231,013		231,013
Accounts receivable, net	144,877	229,286	374,163
Receivables from other governments	1,499		1,499
Internal balances	(8,471)	8,471	-0-
Inventories		134,965	134,965
Prepaid expenses	24,732	553	25,285
Restricted Assets:			
Cash and cash equivalents		498,762	498,762
Noncurrent Assets:			
Net pension asset	516,361	172,120	688,481
Capital Assets:			
Land	436,079	41,750	477,829
Construction in progress		45,661	45,661
Buildings, net	833,726	94,520	928,246
Land improvements, net	868,654		868,654
Water and sewer infrastructure, net		3,749,523	3,749,523
Equipment, net	401,574	165,585	567,159
Vehicles, net	256,606	280,712	537,318
	<u>7,249,226</u>	<u>6,481,439</u>	<u>13,730,665</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources	<u>77,375</u>	<u>16,814</u>	<u>94,189</u>
	<u>77,375</u>	<u>16,814</u>	<u>94,189</u>
LIABILITIES:			
Accounts payable	95,384	116,938	212,322
Accrued wages payable	41,833	17,307	59,140
Liabilities payable from restricted assets		121,813	121,813
Noncurrent Liabilities:			
Due within one year	30,920	58,917	89,837
Due in more than one year		964,143	964,143
Net pension liability	111,389		111,389
	<u>279,526</u>	<u>1,279,118</u>	<u>1,558,644</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources	<u>145,236</u>	<u>48,367</u>	<u>193,603</u>
	<u>145,236</u>	<u>48,367</u>	<u>193,603</u>

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF NET POSITION - Continued

September 30, 2020

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
NET POSITION			
Net investment in capital assets	\$ 3,599,020	\$ 4,133,188	\$ 7,732,208
Restricted For:			
Debt service	796		796
Sewer replacement		105,055	105,055
Well construction		200,946	200,946
Municipal court security and technology	63,422		63,422
Other purposes	3,528		3,528
Unrestricted	<u>3,235,073</u>	<u>731,579</u>	<u>3,966,652</u>
Total net position	<u>\$ 6,901,839</u>	<u>\$ 5,170,768</u>	<u>\$ 12,072,607</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA

West Columbia, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government and administration	\$ 546,559	\$ 60,268	\$ 48,364	\$
Public safety	1,650,178	165,659	33,130	16,765
Public works	407,692	264,198		
Culture and recreation	<u>338,998</u>	<u>69,635</u>		
Total governmental activities	<u>2,943,427</u>	<u>559,760</u>	<u>81,494</u>	<u>16,765</u>
Business-type Activities:				
Water and sewer	<u>2,119,454</u>	<u>1,614,714</u>	<u>30,502</u>	
Total business-type activities	<u>2,119,454</u>	<u>1,614,714</u>	<u>30,502</u>	<u>-0-</u>
Total	<u>\$ 5,062,881</u>	<u>\$ 2,174,474</u>	<u>\$ 111,996</u>	<u>\$ 16,765</u>

General Revenues:

Taxes:

Property taxes

Sales taxes

Franchise fees

Occupancy taxes

Investment income

Miscellaneous

Gain on disposition of assets

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

The notes to the financial statements are an integral part of this statement.

Net Expense and
Change in Net Position

Governmental Activities	Business- Type Activities	Total
\$(437,927)	\$	\$(437,927)
(1,434,624)		(1,434,624)
(143,494)		(143,494)
<u>(269,363)</u>		<u>(269,363)</u>
(2,285,408)	-0-	(2,285,408)
	(474,238)	(474,238)
-0-	(474,238)	(474,238)
(2,285,408)	(474,238)	(2,759,646)
1,394,917		1,394,917
989,500		989,500
91,419		91,419
40,220		40,220
15,239	6,447	21,686
69,955	71,718	141,673
	11,780	11,780
<u>256,681</u>	<u>(256,681)</u>	<u>-0-</u>
<u>2,857,931</u>	<u>(166,736)</u>	<u>2,691,195</u>
572,523	(640,974)	(68,451)
<u>6,329,316</u>	<u>5,811,742</u>	<u>12,141,058</u>
<u>\$ 6,901,839</u>	<u>\$ 5,170,768</u>	<u>\$ 12,072,607</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS**

September 30, 2020

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets and Deferred Outflows of Resources					
Assets:					
Cash and cash equivalents	\$ 1,623,090	\$ 963,693	\$ 802,381	\$ 153,412	\$ 3,542,576
Taxes receivable, net	171,521	52,912		6,580	231,013
Receivables from other governments	1,499				1,499
Accounts receivable, net	27,394				27,394
Due from other funds	2,161				2,161
Prepaid expenditures	<u>24,732</u>				<u>24,732</u>
 Total assets	 <u>1,850,397</u>	 <u>1,016,605</u>	 <u>802,381</u>	 <u>159,992</u>	 <u>3,829,375</u>
Deferred Outflows of Resources:					
Deferred outflows of resources					<u>-0-</u>
 Total deferred outflows of resources	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>
 Total assets and deferred outflows of resources	 <u>\$ 1,850,397</u>	 <u>\$ 1,016,605</u>	 <u>\$ 802,381</u>	 <u>\$ 159,992</u>	 <u>\$ 3,829,375</u>
Liabilities, Deferred Inflows of Resources and Fund Balance					
Liabilities:					
Accounts payable	\$ 95,384	\$	\$	\$	\$ 95,384
Accrued wages payable	41,833				41,833
Due to other funds	<u>8,471</u>			<u>2,161</u>	<u>10,632</u>
 Total liabilities	 <u>145,688</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>2,161</u>	 <u>147,849</u>
Deferred Inflows of Resources:					
Deferred inflows of resources	<u>58,551</u>				<u>58,551</u>
 Total deferred inflows of resources	 <u>58,551</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>-0-</u>	 <u>58,551</u>

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

**BALANCE SHEET
GOVERNMENTAL FUNDS - Continued**

September 30, 2020

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Fund Balance:					
Nonspendable:					
Prepaid expenditures	\$ 24,732	\$	\$	\$	\$ 24,732
Restricted:					
Economic development		1,016,605		156,789	1,173,394
Capital improvement			802,381		802,381
Debt service				796	796
Contributor purposes				1,839	1,839
Municipal court technology	12,001				12,001
Municipal court security	51,421				51,421
Police department	3,528				3,528
Unassigned	<u>1,554,476</u>	<u> </u>	<u> </u>	<u>(1,593)</u>	<u>1,552,883</u>
Total fund balance	<u>1,646,158</u>	<u>1,016,605</u>	<u>802,381</u>	<u>157,831</u>	<u>3,622,975</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,850,397</u>	<u>\$ 1,016,605</u>	<u>\$ 802,381</u>	<u>\$ 159,992</u>	<u>\$ 3,829,375</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA

West Columbia, Texas

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

September 30, 2020

Total fund balance - governmental funds balance sheet	\$ 3,622,975
Amounts reported for <i>governmental activities</i> in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Capital assets include \$ 5,223,609 in assets less \$ 2,426,970 in accumulated depreciation.	2,796,639
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds. Deferred inflows of resources - property taxes for the general fund amounted to \$ 58,551.	58,551
Municipal court receivables unavailable to pay for current period expenditures are not recognized in the governmental funds. Municipal court receivables, net of allowance, total \$ 117,483 (\$ 1,174,835 less allowance for uncollectibles of \$ 1,057,352).	117,483
Net pension assets are not reported in the funds	516,361
Pension deferred outflows of resources of \$ 297,366 less pension deferred inflows of resources of \$ 365,227.	(67,861)
Payables for net pension liability are not reported in the funds.	(111,389)
Payables for compensated absences are not reported in the funds.	(<u>30,920</u>)
Net position of governmental activities - statement of net position.	\$ <u>6,901,839</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA

West Columbia, Texas

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGE
IN FUND BALANCE - GOVERNMENTAL FUNDS**

For the Year Ended September 30, 2020

	<u>General Fund</u>	<u>Economic Development Corporation Fund</u>	<u>Capital Improvement Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 2,141,996	\$ 329,833	\$	\$ 40,247	\$ 2,512,076
Revenue producing facilities	351,004				351,004
Fines and fees	142,517				142,517
Licenses and permits	43,097				43,097
Intergovernmental	82,245				82,245
Miscellaneous	<u>91,245</u>	<u>3,699</u>	<u>3,652</u>	<u>2,612</u>	<u>101,208</u>
Total revenues	<u>2,852,104</u>	<u>333,532</u>	<u>3,652</u>	<u>42,859</u>	<u>3,232,147</u>
Expenditures:					
Current:					
General government and administrative	530,640				530,640
Public safety	1,547,824				1,547,824
Public works	364,034				364,034
Culture and recreation	212,586	75,263		6,391	294,240
Capital outlay	<u>61,027</u>				<u>61,027</u>
Total expenditures	<u>2,716,111</u>	<u>75,263</u>	<u>-0-</u>	<u>6,391</u>	<u>2,797,765</u>
Excess of revenues over expenditures	<u>135,993</u>	<u>258,269</u>	<u>3,652</u>	<u>36,468</u>	<u>434,382</u>
Other Financing Sources (Uses):					
Transfers in	242,333		314,597		556,930
Transfers out	<u>(141,516)</u>	<u>(121,000)</u>		<u>(37,733)</u>	<u>(300,249)</u>
Total other financial sources (uses)	<u>100,817</u>	<u>(121,000)</u>	<u>314,597</u>	<u>(37,733)</u>	<u>256,681</u>
Net change in fund balance	236,810	137,269	318,249	(1,265)	691,063
Fund balance - beginning	<u>1,409,348</u>	<u>879,336</u>	<u>484,132</u>	<u>159,096</u>	<u>2,931,912</u>
Fund balance - ending	<u>\$ 1,646,158</u>	<u>\$ 1,016,605</u>	<u>\$ 802,381</u>	<u>\$ 157,831</u>	<u>\$ 3,622,975</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA

West Columbia, Texas

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGE IN FUND BALANCE OF GOVERNMENTAL FUNDS
TO THE GOVERNMENTAL ACTIVITIES STATEMENT OF ACTIVITIES**

For the Year Ended September 30, 2020

Net change in fund balance - total governmental funds	\$ 691,063
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the governmental activities statement of activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense of \$ 176,824 exceeded capital outlay of \$ 61,027.	(115,797)
Governmental funds report pension payments as expenditures. However, in the governmental activities statement of activities, the pension cost is calculated by an actuary and involves multiple factors. The amount of pension expense reported was \$ 20,188 less than the amount reported in the funds.	(20,188)
Property tax revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the funds. Deferred property tax revenues for the general fund increased by \$ 3,980.	3,980
Municipal court revenues in the governmental activities statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds. Municipal court receivables, net of allowance, increased by \$ 23,142.	23,142
Some expenses reported in the governmental activities statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. This is the amount of the change in accrued compensated absences of \$ 9,677.	(<u>9,677</u>)
Change in net position of governmental activities	\$ <u><u>572,523</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND

September 30, 2020

	<u>Enterprise Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 1,059,531
Accounts receivable, net	229,286
Due from other funds	8,471
Inventory	134,965
Prepaid expense	<u>553</u>
Total current unrestricted assets	<u>1,432,806</u>
Restricted Assets:	
Cash and cash equivalents	<u>498,762</u>
Total current restricted assets	<u>498,762</u>
Total current assets	<u>1,931,568</u>
Noncurrent Assets:	
Net pension asset	<u>172,120</u>
Total noncurrent assets	<u>172,120</u>
Capital Assets:	
Property, plant and equipment	9,879,182
Accumulated depreciation	<u>(5,501,431)</u>
Net capital assets	<u>4,377,751</u>
Total assets	<u>6,481,439</u>
Deferred Outflows of Resources	
Deferred outflows of resources	<u>16,814</u>
Total deferred outflows of resources	<u>16,814</u>

(Continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF NET POSITION - PROPRIETARY FUND - Continued

September 30, 2020

	<u>Enterprise Fund</u>
Liabilities	
Current Liabilities:	
Accounts payable	\$ 116,938
Accrued wages payable	17,307
Compensated absences	8,495
Note payable - current	<u>50,422</u>
Total current unrestricted liabilities	193,162
Current Liabilities Payable From Restricted Assets:	
Customer meter deposits	<u>121,813</u>
Total current liabilities	<u>314,975</u>
Total liabilities	<u>1,279,118</u>
Deferred Inflows of Resources	
Deferred inflows of resources	<u>48,367</u>
Total deferred inflows of resources	<u>48,367</u>
Net Position	
Net investment in capital assets	4,133,188
Restricted For:	
Sewer replacement	105,055
Well construction	200,946
Unrestricted	<u>731,579</u>
Total net position	<u>\$ 5,170,768</u>

The notes to the financial statements are an integral part of this statement.

CITY OF WEST COLUMBIA
West Columbia, Texas

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

For the Year Ended September 30, 2020

	<u>Enterprise Fund</u>
Operating Revenues:	
Water service	\$ 776,491
Sewer charges	711,345
Varner Creek Utility District	126,878
Intergovernmental	30,502
Miscellaneous	<u>71,718</u>
Total operating revenues	<u>1,716,934</u>
Operating Expenses:	
Water production	224,337
Water distribution	668,356
Water administration	157,374
Sewer collection	502,355
Sewer treatment plant	363,954
Depreciation	<u>199,421</u>
Total operating expenses	<u>2,115,797</u>
Operating loss	<u>(398,863)</u>
Non-Operating Revenues (Expenses)	
Interest income	6,447
Gain on sale of assets	11,780
Interest and fiscal charges	<u>(3,657)</u>
Total non-operating revenues (expenses)	<u>14,570</u>
Loss before transfers	<u>(384,293)</u>
Transfers in	100,804
Transfers out	<u>(357,485)</u>
Change in net position	<u>(640,974)</u>
Net position - beginning	<u>5,811,742</u>
Net position - ending	<u>\$ 5,170,768</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST COLUMBIA
West Columbia, Texas

**STATEMENT OF CASH FLOWS -
PROPRIETARY FUND**

For the Year Ended September 30, 2020

	<u>Enterprise Fund</u>
Cash Flows from Operating Activities:	
Receipts from customers	\$ 1,732,054
Receipts from other funds	191,174
Payments to suppliers	(1,270,955)
Payments to employees	<u>(665,567)</u>
Net cash used by operating activities	<u>(13,294)</u>
Cash Flows from Non-Capital Financing Activities:	
Operating transfers to other funds	<u>(256,681)</u>
Net cash used by non-capital financing activities	<u>(256,681)</u>
Cash Flows from Capital and Related Financing Activities:	
Proceeds from loan	1,034,872
Principle payments on loan	(20,307)
Purchases of capital assets	(359,297)
Proceeds from sale of assets	39,647
Interest and fees	<u>(3,657)</u>
Net cash provided by capital and related financing activities	<u>691,258</u>
Cash Flows from Investing Activities:	
Interest received	<u>6,447</u>
Net cash provided by investing activities	<u>6,447</u>
Net increase in cash and cash equivalents	427,730
Cash and cash equivalents - beginning	<u>1,130,563</u>
Cash and cash equivalents - ending	<u>\$ 1,558,293</u>

(Continued)

CITY OF WEST COLUMBIA
West Columbia, Texas

STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - Continued

For the Year Ended September 30, 2020

	<u>Enterprise Fund</u>
Reconciliation of Operating Income to Net Cash Used by	
Operating Activities:	
Operating loss	\$(398,863)
Adjustments to Reconcile Operating Loss to Net Cash Provided by	
Operating Activities:	
Depreciation	199,421
Changes in Assets and Liabilities:	
Accounts Receivable, net	13,633
Due from other funds	542,718
Inventory	(60,592)
Prepaid expense	292
Accounts payable	31,030
Accrued wages payable	6,731
Due to other funds	(351,544)
Net pension asset	2,393
Customer meter deposits	<u>1,487</u>
Net cash provided by operating activities	<u><u>\$(13,294)</u></u>

The notes to the financial statements are an integral part of this statement.

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CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

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CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The City of West Columbia (the "City") operates under General Law as embodied in the Texas Local Government Code and was incorporated in 1938. The City operates under a Council-Manager form of government and provides the following services as authorized by state law: public, streets and drainage, health and social services, culture-recreation, public services and improvements and general administrative services.

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State And Local Governmental Units* and by the Financial Accounting Standards Board (when applicable).

Financial Reporting Entity

The basic financial statements of the City include the primary government organizations, for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The decision to include a potential component unit in the reporting entity was made by applying the criteria for including organizations as component units within the City's reporting entity, as set forth in the Governmental Accounting Standards Board (GASB) in its GASB Statement No. 61, "The Financial Reporting Entity: Omnibus- an amendment of GASB Statements No. 14 and No.34."

Included in the reporting entity:

City of West Columbia (Primary government)

The City operates under a General Law. The City operates under a Council-Manager form of government and provides the following services as authorized by state law: public safety, streets and drainage, health and social services, culture-recreation, public services and improvements and general administrative services.

The following entity was found to be a component unit of the City and is included in the basic financial statements:

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Financial Reporting Entity - Continued

West Columbia Economic Development Corporation (the "Corporation")

The City created the Corporation for the purpose of promoting parks, drainage and street improvements, and economic development within the City. The Corporation's governing board is substantially the same as the governing body of the City. There are seven directors, two of whom are members of the City Council. The remaining five members are residents of the City or the County. All Board members are appointed by the City Council. The Corporation is authorized to sell bonds or other forms of indebtedness. Upon dissolution of the Corporation, the assets of the Corporation shall be distributed to the City. The Corporation provides all of its services to the City. A blended presentation has been used to report the financial information of this component unit. The Corporation is presented as a special revenue fund. The financial information for the Corporation is available from the City.

Government-wide and Fund Financial Statements

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

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

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation

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

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

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and the unrestricted resources as needed.

The City has presented the following major governmental funds:

The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the City, except those required to be accounted for in another fund. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges and capital improvement costs that are not paid through other funds are paid from the General Fund.

The *Economic Development Corporation Fund* accounts for specific projects and expenditures for the improvement of the City. Sales taxes and private donations provide the resources to fund these projects.

The *Capital Improvement Fund* accounts for the various projects ongoing for improvements to the City's infrastructure, primarily water and sewer systems.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Measurement Focus, Basis Of Accounting, and Financial Statement Presentation - Continued

The City reports the following major proprietary fund:

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

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Fund are charges to customers for sales and services. The City also recognized as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the water and sewer system.

Operating expenses for the Enterprise Fund includes the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

New Pronouncements

GASB issues statements on a routine basis with the intent to provide authoritative guidance on the preparation of financial statements and to improve governmental accounting and financial reporting of governmental entities. Management reviews these statements to ensure that preparation of its financial statements are in conformity with generally accepted accounting principles and to anticipate changes in those requirements. The following recent GASB Statements reflect the action and consideration of management regarding these requirements:

GASB No. 83 "Certain Asset Retirement Obligations" was issued in November 2016. The statement was implemented and did not have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2019.

GASB No. 84 "Fiduciary Activities" was issued in January 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after December 15, 2019.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 87 “Leases” was issued in June 2017. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this Statement are effective for periods beginning after June 15, 2021.

GASB No. 88 “Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements” was issued in April 2018. The statement was implemented and did not have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2019.

GASB No. 89 “Accounting for Interest Cost Incurred before the End of a Construction Period” was issued in June 2018. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2020.

GASB No. 90 “Majority Equity Interests - an amendment of GASB Statements No. 14 and No. 61” was issued in August 2018. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2019.

GASB No. 91 “Conduit Debt Obligations” was issued in May 2019. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after December 15, 2021.

GASB No. 92 “Omnibus 2020” was issued in January 2020. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB No. 93 “Replacement of Interbank Offered Rates” was issued in March 2020. The management of the City does not expect the implementation of this standard to have a material effect on the financial statement of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 94 “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” was issued in March 2020. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

GASB No. 95 “Postponement of the Effective Dates of Certain Authoritative Guidance” was issued in May 2020. The statement was implemented and did not have a material effect on the financial statements of the City. The requirements of this statement are effective immediately.

GASB No. 96 “Subscription-Based Information Technology Arrangements” was issued in May 2020. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2022.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

New Pronouncements - Continued

GASB No. 97 "Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans" was issued in June 2020. The management of the City does not expect the implementation of this standard to have a material effect on the financial statements of the City. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

Budgetary Data

All departments of the City submit requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund and includes requested appropriations for the next year. The proposed budget is presented to the Mayor and City Council for review. The City Council holds budget workshops and may add to, subtract from, or change appropriations. A public hearing is held prior to adoption.

Once the budget is adopted, expenditures may not legally exceed total appropriations at the fund level. Line item and department budgets may exceed appropriated amounts at the discretion of the City Council as long as total expenditures for the fund do not exceed appropriated amounts. Revisions to the budget were made during the year. Appropriations not exercised in the current year lapse at the end of the year.

The City adopts annual budgets for all governmental fund types (General Fund, Special Revenue Funds and Capital Improvement Fund) and the proprietary fund type (Enterprise Fund).

Financial statements in this report are based on the legally enacted basis (modified accrual basis with certain exceptions) and the generally accepted accounting principles (GAAP basis). The financial statements prepared on the legally enacted basis differs from the GAAP basis statements on an individual fund basis as follows:

Enterprise Fund -

1. Principal payments on bonds are recorded as a current year expense as opposed to a reduction of the principal balance on the balance sheet (GAAP).
2. Capital expenditures are recorded as current year expense as opposed to being capitalized and depreciated over the estimated useful life of the asset (GAAP).
3. Capital contributions.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Budgetary Data - Continued

The following schedules reconcile the difference between the City's legally enacted basis and the GAAP basis:

	<u>2020</u>
Enterprise Fund:	
Change in net position - GAAP basis	\$(640,974)
Depreciation	199,421
Actuarial pension adjustments	2,393
Capital outlay	(359,297)
Debt principal payments	(20,307)
Gain on sale of assets	<u>39,647</u>
Change in net position - budget basis	<u>\$(779,117)</u>

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting - under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation - is utilized. Encumbrances outstanding at year-end are reported as a reservation of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. There were no outstanding encumbrances at September 30, 2020.

Cash and Cash Equivalents and Investments

Cash and temporary investments include amounts in demand deposits and short-term investments with a maturity date within three months of the date acquired by the City. For purposes of the cash flow statement, cash and temporary investments are considered cash equivalents. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools", investments are stated at fair value. State statutes authorize the government to invest in obligations of the U.S. Treasury, commercial paper, corporate bonds and repurchase agreements, and other such securities or obligations as allowed in the Public Funds Investment Act (PFIA) as amended and approved by the City's Council. The City's management believes it complied with the requirements of the PFIA and the City's investment policies.

Inventory

Inventory is valued at cost and consists primarily of utility meters and supplies. The consumption method of inventory is employed by the City, whereby the purchases of these supplies are charged directly to inventory for control and then expended as consumed.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Compensated Absences

The City's sick leave policy provides twelve paid sick days per year. The City does not pay for any unused sick leave upon termination, resignation or retirement. The City pays full time personnel 50% of their unused sick time the last month of the calendar year. The amount of any expense, which may occur, resulting from utilization of unused sick leave, cannot be determined as of September 30, 2020.

Eligible City employees accrue vacation time annually at various rates based on length of service with the City. Vacation time can be accrued on January 1 of each year.

The City offers comp time for hours actually worked above 40 hours per week, at the discretion of each Department Head. Comp time reported is the amount of time to be paid at the employee's regular rate. For example, if an employee works 42 hours in a work week, he/she may be paid for 40 hours at their regular rate and earn 3 hours of comp time or be paid 40 hours at their regular rate and 2 hours at 1 ½ times their regular rate. This is a voluntary program and employees have the option to be paid for overtime hours or receive comp time. Employees may accumulate up to 240 hours of comp time for all departments, except the police department. The police department employees may accumulate up to 480 hours of comp time. At the end of the fiscal year (September 30), employees will be paid for any comp time accumulated over the maximums. Employees who leave the employment of the City will receive payment for any unused comp time at the time of their departure.

The estimated liabilities include required salary related payments. Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminating employees and is included in wages and benefits payable. As of September 30, 2020, there were no matured compensated absences reported in the governmental funds. Maturing compensated absences payable in the Governmental Activities totaled \$ 30,920 at September 30, 2020. Accrued compensated absences reported in the Enterprise Fund at September 30, 2020 totaled \$ 8,495.

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and water and sewer infrastructure, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their acquisition value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The amount of interest cost to be capitalized on assets with tax-exempt borrowing is equal to the cost of the borrowing less interest earned on the related tax-exempt borrowing. During the year ended September 30, 2020, no capitalized interest was recorded.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Continued

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

Buildings	40 Years
Land improvements	40 Years
Equipment	15 Years
Vehicles	7-15 Years
Water and Sewer Infrastructure	30 Years

Salvage values are utilized to eliminate the complete depreciation of assets that remain in use beyond their estimated useful lives.

Deferred Outflows and Inflows of Resources

Guidance for deferred outflows of resources and deferred inflows of resources is provided by GASB No. 63, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net position by the government that is applicable to a future reporting period, and an acquisition of net position by the government that is applicable to a future period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Further, GASB No. 65, "Items Previously Reported as Assets and Liabilities", had an objective to either (a) properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources or (b) recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflows of resources (revenues).

Property Taxes

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

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Property Taxes - Continued

The assessed value of the property tax roll on July 12, 2019, upon which the levy for the 2019-20 fiscal year was based, was \$ 170,108,352. Taxes are delinquent if not paid by January 31. Delinquent taxes are subject to penalty and interest charges plus 20% delinquent collection fees for attorney costs.

The tax rate assessed to finance general fund operations was \$ 0.820000 per \$ 100 valuation for the year ended September 30, 2020.

Current tax collections for the year ended September 30, 2020 were 96.84% of the year-end adjusted tax levy. Delinquent taxes are prorated between maintenance and debt service based on rates adopted for the year of the levy. Allowances for uncollectible taxes within the general and debt service funds are based on historical experience in collecting taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature. As of September 30, 2020, property taxes receivable, net of estimated uncollectible taxes, totaled \$ 65,697 and \$ -0- for the general and debt service funds, respectively.

Pension Plans

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and Texas Emergency Services Retirement System (TESRS) and additions to/deductions from TMRS's and TESRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS and TESRS. 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.

Long-Term Obligations

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

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Fund Equity

The City Council meets on a regular basis to manage and review cash financial activities and to ensure compliance with established policies. The City's Unassigned General Fund Balance is maintained to provide the City with sufficient working capital and a margin of safety to address local and regional emergencies without borrowing. The unassigned General Fund Balance may only be appropriated by resolution of the City Council. Fund Balance of the City may be committed for a specific source by formal action of the City Council. Amendments or modifications of the committed fund balance must also be approved by formal action by the City Council. When it is appropriate for fund balance to be assigned, the City Council has delegated authority to the Mayor or City Manager. In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be expended is as follows: restricted fund balance, followed by committed fund balance, followed by assigned fund balance, and lastly, unassigned fund balance.

The City implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

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

Restricted Fund Balance - Constraints placed on the use of these resources are either externally imposed by creditors (such as through covenants), grantors, contributors or other governments; or are imposed by law (through constitutional provisions enabling legislation).

Committed Fund Balance - Amounts that can only be used for specific purposes because of a City ordinance by the government's highest level of decision-making authority.

Assigned Fund Balance - Amounts that are constrained by the City's intent to be used for specific purposes, but that do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body or the City Manager. With the exception of the General Fund, this is the residual fund balance classification for all government funds with positive balances.

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

As of September 30, 2020, nonspendable fund balances include \$ 24,732 for prepaid expenditures. Restricted fund balances include \$ 1,173,394 for economic development, \$ 802,381 for capital improvement, \$ 796 for debt service, \$ 1,839 for contributor purposes, \$ 12,001 for municipal court technology, \$ 51,421 for municipal court security and \$ 3,528 for the police department. There were no committed and assigned fund balances. Unassigned fund balance includes \$ 1,552,883.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Net Position

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

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES

The City classifies deposits and investments for financial statement purposes as cash and cash equivalents, current investments, and non-current investments based upon both liquidity (demand deposits) and maturity date (deposits and investments) of the asset at the date of purchase. For this purpose an investment is considered a cash equivalent if when purchased it has maturity of three months or less. Investments are classified as either current investments or non-current investments. Current investments have maturity of one year or less and non-current investments are those that have a maturity of more than one year. See Note 1 for additional Governmental Accounting Standards Board Statement No. 3 disclosures.

Cash and cash equivalents, current investments, and non-current investments as reported on the statement of net position at September 30, 2020 are as follows:

	<u>Unrestricted</u>	<u>Restricted</u>	<u>Total</u>
Cash and Temporary Investments:			
Cash (petty cash accounts)	\$ 750	\$	\$ 750
Financial Institution Deposits:			
Demand deposits	<u>4,601,357</u>	<u>498,762</u>	<u>5,100,119</u>
Total	<u>\$ 4,602,107</u>	<u>\$ 498,762</u>	<u>\$ 5,100,869</u>

Deposits

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

At September 30, 2020, in addition to petty cash of \$ 750, the carrying amount of the City's cash, savings, and time deposits was \$ 5,100,119. The financial institutions balances were \$ 5,103,942 at September 30, 2020. Bank balances of \$ 250,000 were covered by federal depository insurance, and \$ 4,853,942 was covered by collateral pledged in the City's name. The collateral was held in safekeeping departments of unrelated banks, which act as the pledging bank's agent.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 2 - DEPOSITS, INVESTMENTS AND DERIVATIVES - Continued

Investments

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

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

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

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

1. Obligations of, or guaranteed by, governmental entities as permitted by Government Code 2256.009;
2. Certificates of deposit and share certificates as permitted by Government Code 2256.010;
3. Fully collateralized repurchase agreements permitted by Government Code 2256.011;
4. A securities lending program as permitted by Government Code 2256.0115;
5. Banker’s acceptances as permitted by Government Code 2256.012;
6. Commercial paper as permitted by Government Code 2256.013;
7. No-load money market mutual funds and no-load mutual funds as permitted by Government Code 2256.014;
8. A guaranteed investment contract as an investment vehicle for bond proceeds, provided it meets the criteria and eligibility requirements established by Government Code 2256.015; and
9. Public funds investment pools as permitted by Government Code 2256.016.

At September 30, 2020, the City held no investments.

Fair Value

The City categorizes its fair value measurements within the fair value hierarchy established by GASB No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). As of September 30, 2020, the City had no assets or liabilities within the fair value hierarchy established by GASB No. 72.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 3 - RECEIVABLES AND UNCOLLECTIBLE ACCOUNTS

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

	Governmental Funds				
	General Fund	Economic Development Corporation Fund	Debt Service Fund	Other Governmental Funds	Total
Receivables:					
Property taxes	\$ 114,256	\$	\$ 2,106	\$	\$ 116,362
Hotel occupancy tax				6,580	6,580
Sales taxes	105,824	52,912			158,736
Receivables from other governments	1,499				1,499
Other	27,394				27,394
Gross receivables	248,973	52,912	2,106	6,580	310,571
Less Allowance for Uncollectibles:					
Property taxes	48,559		2,106		50,665
Net total receivables	\$ 200,414	\$ 52,912	\$ -0-	\$ 6,580	\$ 259,906
				Proprietary Fund	
Receivables:					
Accounts:					
Customers					\$ 317,630
Other					13,828
Gross receivables					331,458
Less Allowance for Uncollectibles:					
Customers					102,172
Net total receivables					\$ 229,286

Municipal Court Receivables

Municipal court receivables are reported in the governmental activities statement of net position. Since these receivables do not represent current available resources, they are not reported in the governmental funds balance sheet. The allowance for uncollectible receivables related to municipal court assessments is determined based on historical experience and evaluation of collectability in relation to the aging of customer accounts. The municipal court receivable and allowance for uncollectible receivables for the year ended September 30, 2020 were \$ 1,174,835 and \$ 1,057,352, respectively.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 4 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE

Governmental funds defer the recognition of revenue in connection with receivables for revenues that are considered to be unavailable to liquidate liabilities of the current period and report these amounts as deferred inflows of resources. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2020, the various components of deferred inflows of resources reported in the governmental funds were as follows:

	<u>Deferred Inflows of Resources</u>
Delinquent property taxes receivable (general fund)	\$ <u>58,551</u>
Totals	\$ <u><u>58,551</u></u>

Governmental and Business-Type Activities

Governmental and business-type activities defer the recognition of pension expense for contributions made from the measurement date to the current year-end of September 30, 2020 and report these as deferred outflows of resources. Governmental and business-type activities also defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a deferred inflow of resources. Further, for governmental and business-type activities, like governmental funds, defer revenue recognition in connection with resources that have been received, but not yet earned and report these amounts as a liability (unearned revenue).

As of September 30, 2020, the various components of deferred inflows and outflows of resources reported in the governmental and business-type activities were as follows:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
<u>Governmental Activities</u>		
TMRS deferred inflows and outflows of resources	\$ 21,426	\$ 145,101
TESRS deferred inflows and outflows of resources	14,345	135
Pension contributions subsequent to the measurement date	<u>41,604</u>	<u> </u>
Totals	\$ <u><u>77,375</u></u>	\$ <u><u>145,236</u></u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 4 - DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES AND UNEARNED REVENUE -
Continued

<u>Business-Type Activities</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
TMRS deferred inflows and outflows of resources less current amortization	\$ 7,142	\$ 48,367
Pension contributions subsequent to the measurement date	<u>9,672</u>	<u> </u>
 Totals	 <u>\$ 16,814</u>	 <u>\$ 48,367</u>

There were no unearned revenues reported in the governmental or business-type activities as of September 30, 2020.

NOTE 5 - INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund balances at September 30, 2020 consisted of the following individual fund receivables and payables:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>9-30-20</u>
General Fund	Other Governmental Funds	\$ 2,161
Enterprise Fund	General Fund	<u>8,471</u>
		 <u>\$ 10,632</u>

Interfund transfers for the year ended September 30, 2020 consisted of the following individual fund transfers in and transfers out:

<u>Transferring Fund</u>	<u>Receiving Fund</u>	<u>Amount</u>
General Fund	Capital Improvement Fund	\$ 141,516
Economic Development Fund	General Fund	121,000
Other Governmental Fund	General Fund	37,733
Enterprise Fund	General Fund	83,600
Enterprise Fund	Capital Improvement Fund	<u>173,081</u>
		 <u>\$ 556,930</u>

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 6 - CAPITAL ASSETS

Capital Asset Activity

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

	<u>Balance</u> <u>10/01/19</u>	<u>Additions</u>	<u>Retirements &</u> <u>Adjustments</u>	<u>Balance</u> <u>09/30/20</u>
Governmental Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 436,080	\$	\$	\$ 436,080
Construction in progress	<u> </u>	<u> </u>	<u> </u>	<u> -0-</u>
Total capital assets, not being depreciated	<u>436,080</u>	<u>-0-</u>	<u>-0-</u>	<u>436,080</u>
Capital Assets:				
Buildings	1,868,930			1,868,930
Land improvements	949,781			949,781
Equipment	834,415	61,027		895,442
Vehicles	<u>1,073,376</u>	<u> </u>	<u> </u>	<u>1,073,376</u>
Total capital assets, being depreciated	<u>4,726,502</u>	<u>61,027</u>	<u>-0-</u>	<u>4,787,529</u>
Accumulated Depreciation:				
Buildings	999,280	35,924		1,035,204
Land improvements	57,383	23,744		81,127
Equipment	435,329	58,539		493,868
Vehicles	<u>758,154</u>	<u>58,617</u>	<u> </u>	<u>816,771</u>
Total accumulated depreciation	<u>2,250,146</u>	<u>176,824</u>	<u>-0-</u>	<u>2,426,970</u>
Total capital assets being depreciated, net	<u>2,476,356</u>	<u>(115,797)</u>	<u>-0-</u>	<u>2,360,559</u>
Governmental activities capital assets, net	<u>\$ 2,912,436</u>	<u>\$ (115,797)</u>	<u>\$ -0-</u>	<u>\$ 2,796,639</u>
	<u>Balance</u> <u>10/01/19</u>	<u>Additions</u>	<u>Retirements &</u> <u>Adjustments</u>	<u>Balance</u> <u>09/30/20</u>
Business-Type Activities:				
Capital Assets, Not Being Depreciated:				
Land	\$ 41,750	\$	\$	\$ 41,750
Construction in progress	<u>338,036</u>	<u>45,661</u>	<u>338,036</u>	<u>45,661</u>
Total capital assets, not being depreciated	<u>379,786</u>	<u>45,661</u>	<u>338,036</u>	<u>87,411</u>
Capital Assets:				
Buildings	238,000			238,000
Equipment	346,856	48,764	35,325	360,295
Vehicles	253,763	264,872		518,635
Water and sewer infrastructure	<u>8,336,805</u>	<u>338,036</u>	<u> </u>	<u>8,674,841</u>
Total capital assets being depreciated	<u>9,175,424</u>	<u>651,672</u>	<u>35,325</u>	<u>9,791,771</u>

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 6 - CAPITAL ASSETS - Continued

Capital Asset Activity - Continued

	<u>Balance</u> <u>10/01/19</u>	<u>Additions</u>	<u>Retirements &</u> <u>Adjustments</u>	<u>Balance</u> <u>09/30/20</u>
Accumulated Depreciation:				
Buildings	\$ 140,231	\$ 3,249	\$	\$ 143,480
Equipment	182,440	19,728	7,458	194,710
Vehicles	209,478	28,445		237,923
Water and sewer infrastructure	<u>4,777,319</u>	<u>147,999</u>		<u>4,925,318</u>
Total accumulated depreciation	<u>5,309,468</u>	<u>199,421</u>	<u>7,458</u>	<u>5,501,431</u>
Total capital assets being depreciated, net	<u>3,865,956</u>	<u>452,251</u>	<u>27,867</u>	<u>4,290,340</u>
Business-Type activities capital assets, net	<u>\$ 4,245,742</u>	<u>\$ 497,912</u>	<u>\$ 365,903</u>	<u>\$ 4,377,751</u>

Depreciation

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

Governmental Activities:

Administration	\$ 8,588
Public safety	79,670
Public works	43,560
Culture and recreation	<u>45,006</u>
Total depreciation expense-governmental activities	<u>\$ 176,824</u>

Business-Type Activities:

Water and sewer	<u>\$ 199,421</u>
Total depreciation expense-business-type activities	<u>\$ 199,421</u>

NOTE 7 - LONG-TERM DEBT

Enterprise Debt

In March 2020, the City was approved for a loan for \$ 264,872 with an interest rate of 3.20%. The proceeds of this loan were used to purchase a utility freightliner. The City is required to make sixty monthly payments of \$ 4,793 beginning in May 2020.

In May 2020, the City was approved for a loan for \$ 770,000 with an interest rate of 0.00% for the first three years and an interest rate of 2.04% for the remaining eighteen years. The proceeds of this loan were used for utility relocation for a state highway improvement project to widen State Highway 36 – Segment 10. The City is required to make twenty-one annual payments of \$ 42,800 for the first three years and \$ 51,420 for the remaining eighteen years beginning in November 2023.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 7 - LONG-TERM DEBT - Continued

Enterprise Debt - Continued

Aggregate maturities of these notes payable for the years subsequent to September 30, 2020 are as follows:

<u>Year Ended September 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 50,422	\$ 7,091	\$ 57,513
2022	52,060	5,453	57,513
2023	53,750	3,763	57,513
2024	93,060	7,253	100,313
2025	69,315	15,290	84,605
2026-2030	193,862	63,238	257,100
2031-2035	214,459	42,640	257,099
2036-2040	237,245	19,855	257,100
2041	<u>50,392</u>	<u>1,028</u>	<u>51,420</u>
Total	\$ <u>1,014,565</u>	\$ <u>165,611</u>	\$ <u>1,180,176</u>

Total interest paid for the year ended September 30, 2020 was \$ 3,657.

Summary of Long-Term Debt Transactions

Transactions for the year ended September 30, 2020 are summarized as follows:

	<u>Balance 10/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 09/30/20</u>	<u>Current Portion</u>
Governmental Type Activities:					
Net pension liability	\$ 74,261	\$ 54,738	\$ 17,601	\$ 111,398	\$
Compensated absences	<u>21,243</u>	<u>30,920</u>	<u>21,243</u>	<u>30,920</u>	<u>30,920</u>
Total governmental activities	<u>95,504</u>	<u>85,658</u>	<u>38,844</u>	<u>142,318</u>	<u>30,920</u>
Business Type Activities:					
Note payable		1,034,872	20,307	1,014,565	50,422
Compensated absences	<u>5,573</u>	<u>8,495</u>	<u>5,573</u>	<u>8,495</u>	<u>8,495</u>
Total business type activities	<u>5,573</u>	<u>1,043,367</u>	<u>25,880</u>	<u>1,023,060</u>	<u>58,917</u>
Total government (net)	\$ <u>101,077</u>	\$ <u>1,129,025</u>	\$ <u>64,724</u>	\$ <u>1,165,378</u>	\$ <u>89,837</u>

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN

A. Plan Description

The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

B. Benefits Provided

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

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

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

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	34
Inactive employees entitled to but not yet receiving benefits	23
Active employees	<u>32</u>
	89

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

C. Contributions

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

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.19% and 3.82% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were \$ 65,148, and were equal to the required contributions.

D. Net Pension Asset

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

Actuarial assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year, adjusted down for population declines, if any
Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

Changes in the Net Pension Asset

	Increase (Decrease)		
	Total	Plan	Net Pension
	Pension Liability (a)	Fiduciary Net Position (b)	Asset (a)-(b)
Balance at 12/31/2018	\$ 4,473,744	\$ 4,782,849	\$(309,105)
Changes for the Year:			
Service cost	167,359		167,359
Interest	300,362		300,362
Difference between expected and actual experience	4,877		4,877
Changes in assumptions	38,335		38,335
Contributions - employer		65,148	(65,148)
Contributions - employee		90,975	(90,975)
Net investment income		738,489	(738,489)
Benefit payment, including refunds of employee contributions	(215,220)	(215,220)	-0-
Administrative expense		(4,178)	4,178
Other changes		(125)	125
Net changes	<u>295,713</u>	<u>675,089</u>	<u>(379,376)</u>
Balance at 12/31/2019	<u>\$ 4,769,457</u>	<u>\$ 5,457,938</u>	<u>\$(688,481)</u>

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

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

	1% Decrease In Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase In Discount Rate (7.75%)
City's Net Pension Asset	<u>\$ 140,020</u>	<u>\$ 688,481</u>	<u>\$ 1,148,744</u>

Pension Plan Fiduciary Net Position

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 8 - TEXAS MUNICIPAL RETIREMENT SYSTEM PENSION PLAN - Continued

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

For the year ended September 30, 2020, the City recognized pension expense of \$ 72,634.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 4,327	\$ 154,217
Changes in actuarial assumptions	24,241	
Net difference between projected and actual investment earnings		39,251
Contributions subsequent to the measurement date	<u>39,236</u>	<u> </u>
 Total	 <u>\$ 67,804</u>	 <u>\$ 193,468</u>

\$ 39,873 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>		
2021	\$ (56,638)
2022	(39,777)
2023		14,646
2024	(83,131)
Thereafter		-0-

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM

A Plan Description

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

Of the nine member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. On August 31, 2018, there were 238 fire and/or emergency services member departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

B Benefits Provided

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

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

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

C Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. The City is not an employer of the members under the TESRS Plan. However, the City makes contributions directly to the TESRS Plan for members of the participating fire or emergency services departments in the City. During the measurement period of 2019 for fiscal 2020 reporting, the amount of the City's contributions recognized by the plan was \$ 17,601.

D Net Pension Liability

The System's net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018 rolled forward to August 31, 2019. The City's proportionate share of net pension liability was \$ 111,398.

Actuarial Assumptions

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

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

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

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

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities:		
Large cap domestic	32%	5.81%
Small cap domestic	15	5.92
Development international	15	6.21
Emerging markets	5	7.18
Master limited partnership	5	7.61
Real Estate	5	4.46
Fixed Income	23	1.61
Cash	<u>0</u>	0.00
 Total	 100%	
 Weighted average		 5.01%

Discount Rate

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

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

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

	<u>1% Decrease In Discount Rate (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase In Discount Rate (8.75%)</u>
City's Net Pension Liability	\$ 197,993	\$ 111,398	\$ 53,433

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 9 - TEXAS EMERGENCY SERVICES RETIREMENT SYSTEM - Continued

F Pension Expenses, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$	\$ 135
Net difference between projected and actual earnings	14,345	
Contributions subsequent to the measurement date	<u>12,040</u>	<u> </u>
 Total	 <u>\$ 26,385</u>	 <u>\$ 135</u>

\$ 12,040 reported as deferred outflows of resources related to pensions relating from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows/(inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended September 30,</u>		
2021	\$	3,024
2022		1,586
2023		3,526
2024		6,074

For the year ended September 30, 2020, the City recognized pension expense of \$ 26,397.

NOTE 10 - RISK- POOL PARTICIPATION

The City is a participant in the Texas Municipal League Intergovernmental Risk Pool for coverage of property and worker's compensation claims. The City pays monthly/annual premiums to the pool for the coverage stated. The agreement with the Texas Municipal League Intergovernmental Risk Pool requires the pool to be self-sustaining. Therefore, the City's exposure for claims is designated to be limited to their deductible.

CITY OF WEST COLUMBIA

West Columbia, Texas

NOTES TO THE FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

NOTE 11 - DEFICIT FUND BALANCES

As of September 30, 2020, the City had a deficit fund balance as itemized below:

	<u>2020</u>
Fund Balances:	
Special Revenues Funds:	
Capitol Park	\$ 1,593

Deficit fund balances will either be offset by future revenues or reimbursed by other funds. The special revenue funds would be reimbursed by the General Fund.

NOTE 12 - EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through March 3, 2021, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WEST COLUMBIA

West Columbia, Texas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION FUND

For the Year Ended September 30, 2020

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Revenues:				
Taxes	\$ 2,133,500	\$ 2,142,670	\$ 2,141,996	\$(674)
Revenue producing facilities	354,750	358,970	351,004	(7,966)
Fines and fees	262,300	164,350	142,517	(21,833)
Licenses and permits	26,000	43,700	43,097	(603)
Intergovernmental	93,400	160,030	82,245	(77,785)
Miscellaneous	<u>35,500</u>	<u>78,340</u>	<u>91,245</u>	<u>12,905</u>
Total revenues	<u>2,905,450</u>	<u>2,948,060</u>	<u>2,852,104</u>	<u>(95,956)</u>
Expenditures:				
Current:				
General Government and Administrative:				
Administrative	268,725	265,690	252,474	13,216
Legislative	51,700	41,380	36,623	4,757
Legal	22,050	47,050	43,547	3,503
Municipal court	145,435	110,910	89,826	21,084
Finance	86,235	110,430	108,170	2,260
Public Safety:				
Police	1,456,670	1,520,065	1,381,402	138,663
Fire	71,300	67,800	55,276	12,524
Fire marshal	84,367	108,667	111,146	(2,479)
Public Works:				
Streets and drainage	255,090	230,320	99,154	131,166
Sanitation	260,000	260,000	264,880	(4,880)
Culture and Recreation:				
Community development				-0-
Library	26,490	30,855	26,041	4,814
Parks and recreation	344,632	326,287	186,545	139,742
Capital outlay		<u>67,765</u>	<u>61,027</u>	<u>6,738</u>
Total expenditures	<u>3,072,694</u>	<u>3,187,219</u>	<u>2,716,111</u>	<u>471,108</u>

Economic Development Corporation Fund

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 287,500	\$ 287,500	\$ 329,833	\$ 42,333
			-0-
			-0-
			-0-
			-0-
<u>2,500</u>	<u>2,500</u>	<u>3,699</u>	<u>1,199</u>
<u>290,000</u>	<u>290,000</u>	<u>333,532</u>	<u>43,532</u>
			-0-
			-0-
			-0-
			-0-
			-0-
			-0-
			-0-
			-0-
			-0-
134,950	134,950	75,263	59,687
			-0-
			-0-
			-0-
<u>134,950</u>	<u>134,950</u>	<u>75,263</u>	<u>59,687</u>

(continued)

CITY OF WEST COLUMBIA

West Columbia, Texas

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGE IN
 FUND BALANCE - BUDGET AND ACTUAL -
 GENERAL FUND AND ECONOMIC DEVELOPMENT CORPORATION FUND - Continued

For the Year Ended September 30, 2020

	General Fund			Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
Excess (deficiency) of revenues over expenditures	\$(167,244)	\$(239,159)	\$ 135,993	\$ 375,152
Other Financing Sources (Uses):				
Transfers in	259,100	261,460	242,333	(19,127)
Transfers out	(113,500)	(116,700)	(141,516)	(24,816)
Total other financing sources	145,600	144,760	100,817	(43,943)
Net change in fund balance	(21,644)	(94,399)	236,810	331,209
Fund balance - beginning	906,170	1,063,405	1,409,348	345,943
Fund balance - ending	\$ 884,526	\$ 969,006	\$ 1,646,158	\$ 677,152

Economic Development Corporation Fund

Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
Original	Final		
\$ 155,050	\$ 155,050	\$ 258,269	\$ 103,219
(121,000)	(121,000)	(121,000)	-0-
(121,000)	(121,000)	(121,000)	-0-
34,050	34,050	137,269	103,219
705,817	671,767	879,336	207,569
<u>\$ 739,867</u>	<u>\$ 705,817</u>	<u>\$ 1,016,605</u>	<u>\$ 310,788</u>

CITY OF WEST COLUMBIA
West Columbia, Texas

TMRS SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
WITH A MEASUREMENT DATE OF DECEMBER 31,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Total Pension Liability:			
Service cost	\$ 119,823	\$ 138,231	\$ 155,463
Interest (on the Total Pension Liability)	247,297	250,732	257,090
Changes in benefit terms	14,964		
Difference between expected and actual experience	(135,474)	(76,686)	(16,906)
Changes in assumptions		98,447	
Benefit payments, including refunds of employee contributions	<u>(184,600)</u>	<u>(198,971)</u>	<u>(185,996)</u>
Net Change in Total Pension Liability	62,010	211,753	209,651
Total Pension Liability - Beginning	<u>3,550,244</u>	<u>3,612,254</u>	<u>3,824,007</u>
Total Pension Liability - Ending (a)	<u>\$ 3,612,254</u>	<u>\$ 3,824,007</u>	<u>\$ 4,033,658</u>
Total Fiduciary Net Position:			
Contributions - Employer	\$ 36,818	\$ 41,248	\$ 36,544
Contributions - Employee	61,775	68,977	74,886
Net Investment Income	240,348	6,424	288,324
Benefit payments, including refunds of employee contributions	(184,600)	(198,971)	(185,996)
Administrative expense	(2,510)	(3,913)	(3,257)
Other	<u>(205)</u>	<u>(194)</u>	<u>(175)</u>
Net Change in Plan Fiduciary Net Position	151,626	(86,429)	210,326
Plan Fiduciary Net Position - Beginning	<u>4,202,148</u>	<u>4,353,774</u>	<u>4,267,345</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 4,353,774</u>	<u>\$ 4,267,345</u>	<u>\$ 4,477,671</u>
Net Pension Asset (a-b)	\$(741,520)	\$(443,338)	\$(444,013)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	120.53%	111.59%	111.01%
Covered Payroll	\$ 1,235,509	\$ 1,379,550	\$ 1,497,715
Net Pension Asset as a Percentage of Covered Payroll	(60.02%)	(32.14%)	(29.65%)

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years, however, recalculations of prior year are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown. Therefore, we have shown only years for which the GASB 68 statement has been implemented.

<u>2017</u>	<u>2018</u>	<u>2019</u>
\$ 176,880	\$ 160,796	\$ 167,359
271,022	289,276	300,362
42,634	(76,404)	4,877
(213,918)	(210,200)	38,335
(213,918)	(210,200)	(215,220)
276,618	163,468	295,713
<u>4,033,658</u>	<u>4,310,276</u>	<u>4,473,744</u>
<u>\$ 4,310,276</u>	<u>\$ 4,473,744</u>	<u>\$ 4,769,457</u>
\$ 50,526	\$ 50,014	\$ 65,148
85,864	79,132	90,975
620,404	(150,209)	738,489
(213,918)	(210,200)	(210,220)
(3,216)	(2,905)	(4,178)
(163)	(151)	(125)
539,497	(234,319)	680,089
<u>4,477,671</u>	<u>5,017,168</u>	<u>4,782,849</u>
<u>\$ 5,017,168</u>	<u>\$ 4,782,849</u>	<u>\$ 5,462,938</u>
\$(706,892)	\$(309,105)	\$(693,481)
116.40%	106.91%	114.54%
\$ 1,717,285	\$ 1,582,642	\$ 1,643,993
(41.16%)	(19.53%)	(42.18%)

CITY OF WEST COLUMBIA
West Columbia, Texas

TMRS SCHEDULE OF CONTRIBUTIONS
FOR THE LAST TEN YEARS ENDED SEPTEMBER 30,

	2015	2016	2017
Actuarially determined contribution	\$ 36,818	\$ 41,248	\$ 36,544
Contributions in relation to the actuarially determined contribution	36,818	41,248	36,544
Contribution deficiency (excess)	\$ -0-	\$ -0-	\$ -0-
Covered payroll	\$ 1,235,509	\$ 1,379,550	\$ 1,497,715
Contributions as a percentage of covered payroll	2.98%	2.99%	2.44%

Notes to Schedule of Contributions

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 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	N/A
Asset valuation method	10 Year smoothed market; 12% 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 projects 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

Notes There were no benefit changes during the year
This schedule is presented to illustrate the requirement to show information for 10 years, however, recalculations of prior year are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown. Therefore, we have shown only years for which the GASB 68 statement has been implemented.

<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 50,526	\$ 50,014	\$ 65,148
<u>50,526</u>	<u>50,014</u>	<u>65,148</u>
\$ <u>-0-</u>	\$ <u>-0-</u>	\$ <u>-0-</u>
\$ <u>1,717,285</u>	\$ <u>1,619,518</u>	\$ <u>1,711,979</u>
2.94%	3.09%	3.81%

CITY OF WEST COLUMBIA
West Columbia, Texas

TESRS SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND RELATED RATIOS - THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY
WITH A MEASUREMENT DATE OF DECEMBER 31,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
City's proportion of the net pension liability	0.153%	0.354%	0.370%
City's proportionate share of the net pension liability	\$ 29,622	\$ 61,311	\$ 72,062
Plan fiduciary net position as a percentage of total pension liability	83.46%	76.89%	76.34%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years, however, recalculations of prior year are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown. Therefore, we have shown only years for which the GASB 68 statement has been implemented.

<u>2017</u>	<u>2018</u>	<u>2019</u>
0.306%	0.343%	0.393%
\$ 73,445	\$ 74,261	\$ 111,398
81.41%	84.26%	80.25%

CITY OF WEST COLUMBIA
West Columbia, Texas

TESRS SCHEDULE OF REQUIRED CONTRIBUTIONS
THE CITY AS NON-EMPLOYER CONTRIBUTION ENTITY
FOR THE TEN YEARS ENDED SEPTEMBER 30,

	<u>2015</u>	<u>2016</u>	<u>2017</u>
Contractually required contributions	\$ 6,912	\$ 16,716	\$ 16,936
Contributions in relation to the contractually required contribution	<u>6,912</u>	<u>16,716</u>	<u>16,936</u>
Contribution deficiency (excess)	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years, however, recalculations of prior year are not required, and if prior years are not reported in accordance with the standards of GASB 68, they should not be shown. Therefore, we have shown only years for which the GASB 68 statement has been implemented.

<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 14,796	\$ 16,442	\$ 17,601
<u>14,796</u>	<u>16,442</u>	<u>17,601</u>
\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>	\$ <u><u>-0-</u></u>

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE

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MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By _____
Authorized Officer

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

Financial Advisory Services
Provided By:

