

September 14, 2021

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)*

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

\$6,715,000

CITY OF INGLESIDE, TEXAS

(A political subdivision of the State of Texas located in San Patricio County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

Dated Date: September 1, 2021

Due: February 1, as shown on inside cover

The \$6,715,000 City of Ingleside, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City of Ingleside, Texas (the "City" or the "Issuer") on September 14, 2021, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Subordinate Lien Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations. The City also previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)

Interest on the Certificates will accrue from September 1, 2021 (the "Dated Date") as shown above and will be payable on February 1 and August 1 of each year, commencing February 1, 2022, until the earlier of stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. 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 DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by UMB Bank, NA, Austin, Texas as Paying Agent Registrar to the securities depository, 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 for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, equipping, and improving the City's parks and recreational facilities; (2) constructing, acquiring, purchasing, renovating, equipping, and improving the City's public safety facilities, including equipping the fire department with a new brush truck and the construction of a new animal control facility; and (3) constructing, acquiring, purchasing, renovating, equipping, and improving the City's Public Works facilities, including a new collection station for brush and bulk trash; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS,  
CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

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*The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about October 13, 2021.*

**\$6,715,000**  
**CITY OF INGLESIDE, TEXAS**  
(A political subdivision of the State of Texas located in San Patricio County, Texas)  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

**MATURITY SCHEDULE**  
**(Due February 1)**

CUSIP Prefix No. 457038 <sup>(1)</sup>										
Stated				CUSIP	Stated				CUSIP	
Maturity	Principal	Interest	Initial	No.	Maturity	Principal	Interest	Initial	No.	
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> <sup>(1)</sup>	<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>Suffix</u> <sup>(1)</sup>	
2022	\$925,000	4.000%	0.150%	ML8	2032	\$315,000	1.375%	1.250% <sup>(2)</sup>	MW4	
2023	225,000	4.000%	0.200%	MM6	2033	320,000	1.375%	1.350% <sup>(2)</sup>	MX2	
2024	235,000	4.000%	0.250%	MN4	2034	325,000	1.500%	1.400% <sup>(2)</sup>	MY0	
2025	240,000	4.000%	0.350%	MP9	2035	330,000	1.625%	1.500% <sup>(2)</sup>	MZ7	
2026	250,000	4.000%	0.470%	MQ7	2036	335,000	2.000%	1.600% <sup>(2)</sup>	NA1	
2027	265,000	4.000%	0.630%	MR5	2037	345,000	2.000%	1.750% <sup>(2)</sup>	NB9	
2028	275,000	4.000%	0.750%	MS3	2038	350,000	2.000%	1.850% <sup>(2)</sup>	NC7	
2029	285,000	4.000%	0.870%	MT1	2039	355,000	2.000%	1.950% <sup>(2)</sup>	ND5	
2030	295,000	4.000%	1.000%	MU8	2040	365,000	2.000%	2.000%	NE3	
2031	310,000	4.000%	1.100%	MV6	2041	370,000	2.000%	2.050%	NF0	

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

<sup>(1)</sup> CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.

<sup>(2)</sup> Yield calculated is based on the assumption that the Certificates denoted and sold at premium will be redeemed on February 1, 2031, the first optional call date for the Certificates, at a redemption of par plus accrued interest to the date of redemption.

*[The remainder of this page intentionally left blank]*

**CITY OF INGLESIDE TEXAS**  
**2671 San Angelo**  
**Ingleside, Texas 78362**

**Telephone: (361) 776-2517**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)
Ronnie Parker Mayor	2	2022
John F. Schack Mayor Pro-Tem	4	2022
Julio Salinas Councilmember, Place 1	2 months	2023
David Pruitt Councilmember, Place 2	1	2022
Stewart Wilson Councilmember, Place 3	2	2023
Ben Tucker Councilmember, Place 4	5	2022
Steve Diehl Councilmember, Place 5	2	2023

**ADMINISTRATION**

Name	Position	Length of Service (Years)
Linnette Barker	City Manager	5
Dawn Tarr*	Finance Director	7 months
Sarah Wardinsky	City Secretary	6 months

Ms. Tarr has 20 years experience in finance.

**CONSULTANTS AND ADVISORS**

**Bond Counsel** .....Norton Rose Fulbright US LLP  
San Antonio, Texas

**Certified Public Accountants** .....Ernest R. Garza and Company, P.C.  
Corpus Christi, Texas

**Financial Advisor** .....SAMCO Capital Markets, Inc.  
San Antonio, Texas

**For Additional Information Please Contact:**

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**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

THE CERTIFICATES ARE EXEMPT FROM REGISTRATION WITH THE UNITED STATES 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 THE CERTIFICATES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

None of the City, the Financial Advisors or the Purchaser makes any representation or warranty with respect to the information contained in this Official Statement regarding The Depository Trust Company (“DTC”) or its Book-Entry-Only System as such information is provided by DTC.

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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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.*

<b>The Issuer</b>	The City of Ingleside, Texas (the "City") is a residential community located 18 miles northeast of Corpus Christi, Texas on State Highway 361. The City is 3.6 miles from Ingleside Point. The City is also 150 miles southeast of San Antonio, Texas and 225 miles southwest of Houston, Texas. The 2021 population is estimated at 10,488. The City operates under a City Council/Manager form of government pursuant to the laws of the State of Texas and the City's Home Rule Charter. (See "APPENDIX B – General Information Regarding the City of Ingleside and San Patricio County, Texas" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City, on September 14, 2021 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is UMB Bank, NA, Austin, Texas.
<b>Security</b>	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing the payment of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Subordinate Lien Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations. The City also previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES – Security for Payment" and "AD VALOREM PREOPERTY TAXATION – Debt Tax Rate Limitations" herein.)
<b>Redemption Provisions of the Certificates</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES – Redemption Provisions of the Certificates" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS" and will not be included in calculating the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" and "APPENDIX C – Form of Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See discussion under "TAX MATTERS – Qualified Tax-Exempt Obligations" herein.)

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, equipping, and improving the City's parks and recreational facilities; (2) constructing, acquiring, purchasing, renovating, equipping, and improving the City's public safety facilities, including equipping the fire department with a new brush truck and the construction of a new animal control facility; and (3) constructing, acquiring, purchasing, renovating, equipping, and improving the City's Public Works facilities, including a new collection station for brush and bulk trash; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

**Ratings**

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA-" to the Certificates. (See "OTHER PERTINENT INFORMATION - Ratings" herein.)

**Payment Record**

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

**Future Debt Issues**

The Issuer does not anticipate the issuance of any additional ad valorem debt in 2021, except for potentially issuing refunding bonds for debt service savings.

**Delivery**

When issued, anticipated on or about October 13, 2021.

**Legality**

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas, Bond Counsel.

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**OFFICIAL STATEMENT**

relating to

**\$6,715,000**

**CITY OF INGLESIDE, TEXAS**

**(A political subdivision of the State of Texas located in San Patricio County, Texas)**

**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

**INTRODUCTORY STATEMENT**

This Official Statement provides certain information in connection with the issuance by the City of Ingleside, Texas (the "City" or the "Issuer") of its \$6,715,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and the City's Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to migrant transport). Executive order GA-38 combines several previous executive orders into one order and continues the prohibition against 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. It also prohibits governmental entities from: (1) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-38 remains in effect until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Certificates. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water and the collection of sewage, franchise fees based on private utility sales, and other excise taxes and fees that depend on business activity. 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 sales or other excise taxes, utility system revenue, and utility franchise and other fees and charges may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

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.

### **Convening of the Texas Legislature**

On January 12, 2021, the 87th Texas Legislature convened in general session which adjourned on May 31, 2021. The Texas Governor called a first special session which began July 8, 2021 and concluded on August 6, 2021. The Governor called a second special session which began on August 7, 2021 and concluded on September 2, 2021. The Governor called a third special session which convened on September 20, 2021, and the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City and the financial condition of the City. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed and final legislation for any developments applicable to the City.

## **THE CERTIFICATES**

### **General Description of the Certificates**

The Certificates are dated September 1, 2021 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2022, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by UMB Bank, NA, Austin, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

### **Authority for Issuance**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council") on September 14, 2021, and the City's Home Rule Charter.

### **Security for Payment**

*Limited Pledge of Ad Valorem Taxes.* The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM PROPERTY TAXATION" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)

*Limited Revenue Pledge Benefiting the Certificates.* Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Subordinate Lien Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a subordinate and inferior lien on and pledge of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations. The City



also previously authorized the issuance of the currently outstanding Limited Pledge Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of a limited amount of the Net Revenues in the manner provided in the ordinance authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

### **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after February 1, 2032, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on February 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

### **Notice of Redemption**

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner 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. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so 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.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

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

### **Selection of Certificates to be Redeemed**

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### **Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, equipping, and improving the City's parks and recreational facilities; (2) constructing, acquiring, purchasing, renovating, equipping, and improving the City's public safety facilities, including equipping the fire department with a new brush truck and the construction of a new animal control facility; and (3) constructing, acquiring, purchasing, renovating, equipping, and improving the City's Public Works facilities, including a new collection station for brush and bulk trash; (4) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital

improvements; and (5) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

**Sources and Uses**

Sources	
Par Amount of the Certificates	\$ 6,715,000.00
Accrued Interest on the Certificates	22,583.02
Net Reoffering Premium	<u>454,542.65</u>
Total Sources of Funds	<u>\$ 7,192,125.67</u>
Uses	
Project Fund Deposit	\$ 7,000,000.00
Purchaser's Discount	78,014.77
Certificate Fund Deposit	22,583.02
Costs of Issuance	<u>91,527.88</u>
Total Uses	<u>\$ 7,192,125.67</u>

**Payment Record**

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

**Amendments**

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of or interest on the Certificates, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of premium, if any, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any amendment, addition or recession.

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government 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 "Government 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 of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such

defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates which have been defeased to their maturity date, if the City (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption, (ii) gives notice of the reservation of that right to the owners of the 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.

#### **Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court 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.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson*") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the *Wasson* opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed *Wasson* again in June 2018 and clarified 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 when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders 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 or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the

enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is UMB Bank, NA, Austin, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change 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 by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address 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 will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

### **Record Date**

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15<sup>th</sup>) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

### **Special Record Date for Interest Payment**

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

### **Future Registration**

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 corporate trust 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 utilized in regard to ownership and transferability of the Certificates.)

### **Limitation on Transfer of Certificates**

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) 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 (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

### **Replacement Certificates**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

### **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 The Depository Trust Company (“DTC”), New York, New York, 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, the Financial Advisor, and the Purchaser 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, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

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

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in Beneficial Ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC’s records reflect only the identity of the Direct Participants to

whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

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

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

Redemption proceeds, principal, and interest payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the 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 securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

#### **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, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

**INVESTMENT POLICIES**

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

**Legal Investments**

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

**Current Investments <sup>(1)</sup>**

**TABLE 1**

As of May 31, 2021 the City held investments as follows:

<u>Type of Security</u>	<u>Market Value</u>	<u>Percentage of Total</u>
TexPool	\$ 28,734,598	56.83%
Frost Bank	19,193,695	37.96%
Invesco	<u>2,634,547</u>	<u>5.21%</u>
	<u>\$ 50,562,840</u>	<u>100.00%</u>
Total		

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

<sup>(1)</sup> Unaudited.

**AD VALOREM PROPERTY TAXATION**

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 San Patricio 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 (3) 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.

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. The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "AD VALOREM PROPERTY TAXATION – 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.

### **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 also 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.

### **Local Option Freeze for the Elderly and Disabled**

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

### **Personal Property**

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

### **Freeport 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.

### **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 Reinvestment Zones**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (“TIRZ”) within its boundaries. 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 “tax increment”. During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

### **Tax Abatement Agreements**

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

### **City and Taxpayer Remedies**

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

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

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

### **Levy and Collection of Taxes**

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

certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

### **City's Rights in the Event of Tax Delinquencies**

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

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

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

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

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

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

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

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

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

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

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

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

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

A city must annually calculate its voter-approval tax rate and no-new-revenue tax rate 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. See "APPENDIX A – Municipal Sales Tax Collections".

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

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

#### **Debt Tax Rate Limitations**

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

#### **The Property Tax Code as Applied to the City**

The City has not elected to grant an exemption of up to 20% of the appraised value of residence homesteads (but not less than \$5,000).

The City has elected to grant a Local Option Homestead Exemption of at least \$3,000 of the appraised value of the residence homestead of persons 65 year of age or older and the disabled.

The City has not implement the Local Option Freeze of ad valorem taxes for the elderly or disabled.

On December 13, 2011, the City Council took official action to again tax Goods-in-Transit.

The City does tax freeport property.

The City does tax nonbusiness personal property.

The City does permit split payments and discounts are not allowed.

The City has authorized the additional sales tax for economic development at the rate of  $\frac{1}{4}$  of 1%, for street maintenance at a rate of  $\frac{1}{4}$  of 1% and for property tax relief at a rate of  $\frac{1}{2}$  of 1%.

The City is currently a party to three Chapter 380 Agreements for economic development. On December 13, 2016, the City entered into a 10-year Chapter 380 Agreement with Flint Hills Resources Corpus Christi, LLC ("Flint Hills"), which will expire on December 31, 2025. Under the terms of the agreement, the City will provide an economic incentive payment to Flint Hills 10% of ad valorem property taxes actually paid by Flint Hills relating to improvements and 100% of ad valorem property taxes on its inventory. Pursuant to this agreement, if the total ad valorem taxes and sales and use taxes actually paid by Flint Hills to the City (less the economic incentive payments to be paid by the City) in any tax year should be less than \$460,000, the City will reduce the amount of economic incentive payment due to Flint Hills by an amount sufficient to ensure the total ad valorem and sales and use tax receipts received by the City (less the economic incentive payments to be paid by the City) will be at least \$460,000 in such tax year.

On January 20, 2017, the City entered into a 10-year Chapter 380 Agreement with Kiewit Offshore Services, Ltd. ("Kiewit"), which will expire on December 31, 2026. Under the terms of the agreement, the City will provide an economic incentive payment to Kiewit equal to 50% of the sales and use tax actually paid and received by the City and 50% of the ad valorem property taxes actually paid and received by the City. Pursuant to this agreement, if the total ad valorem taxes and sales and use taxes actually paid by Kiewit to the City (less the economic incentive payments to be paid by the City) in any tax year should be less than \$500,000, the City will reduce the amount of economic incentive payment due to Kiewit by an amount sufficient to ensure the total ad valorem and sales and use tax receipts received by the City (less the economic incentive payments to be paid by the City) will be at least \$500,000 in such tax year.

On March 11, 2020, the City entered into a Chapter 312 Agreement with Air Liquide Large Industries US LP ("Air Liquide"). Under the terms of the agreement, the City will provide Air Liquide an abatement of a certain percentage of Air Liquide's taxable value of certain improvements that Air Liquide will make to its existing facilities within the City. The period of abatement shall commence once the improvements are installed and shall be for a period of six (6) years. In the first year of the abatement period, the percentage of abatement is set at 60% and is reduced by 10% for each ensuing year.

The City may enter into tax abatement agreements or additional Chapter 380 Agreements for economic development in the future, in accordance with State law.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

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

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the Issuer may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

### **Tax Changes**

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

## **Ancillary Tax Consequences**

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

## **Tax Accounting Treatment of Discount Certificates**

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

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

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

## **Tax Accounting Treatment of Premium Certificates**

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

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

## **Qualified Tax-Exempt Obligations**

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

obligations and other than certain current refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

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

### **CONTINUING DISCLOSURE OF INFORMATION**

The City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (“MSRB”). This information will be available to the public free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under “Availability of Information”.

#### **Annual Reports**

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The Issuer 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 Issuer of the general type included in Table 1 of the Official Statement and in Tables 1-15 of APPENDIX A to this Official Statement and in APPENDIX D. The Issuer will update and provide this information within six months after the end of each fiscal year in or after 2021. The City will provide the updated information to the MSRB in an electronic format, which will be available through EMMA to the general public without charge.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA 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, as the case may be; (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 paying agent/registrar or the change of name of a paying agent/registrar, if material;

(15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement, liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

#### **Availability of Information**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

#### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain 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 continuing disclosure 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 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 holders or beneficial owners of the Certificates. 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. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

#### **Compliance with Prior Agreements**

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

### **LEGAL MATTERS**

#### **Legal Opinions and No-Litigation Certificate**

The Issuer will furnish the Purchaser 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 Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS",

“CONTINUING DISCLOSURE OF INFORMATION” (except under the subheading “Compliance with Prior Undertakings” as to which no opinion is expressed), “LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas”, and “OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. 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 fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.

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

### **Litigation**

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

At the time of the initial delivery of the Certificates, the City will provide the Purchaser with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See “OTHER PERTINENT INFORMATION – Ratings” herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations.

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

### **FORWARD LOOKING STATEMENTS**

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

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

### **OTHER PERTINENT INFORMATION**

#### **Registration and Qualification of Certificates for Sale**

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates



or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

### **Ratings**

S&P Global Ratings (“S&P”) has assigned an unenhanced, underlying rating of “AA-” to the Certificates. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer 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 S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

### **Authenticity of Financial Information**

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. 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. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

### **Financial Advisor**

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

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

### **Winning Bidder**

After requesting competitive bids for the Certificates, the City accepted the bid of The Baker Group, LP (the “Purchaser” or the “Initial Purchaser”) to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a net reoffering premium of \$454,542.65, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2020, the date of the last financial statements of the City appearing in the Official Statement.

### **Information from External Sources**

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

**Concluding Statement**

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

This Official Statement was approved by the Council for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

**CITY OF INGLESIDE, TEXAS**

/s/ Ronnie Parker  
\_\_\_\_\_  
Mayor  
City of Ingleside, Texas

ATTEST:

/s/ Sarah Wardinsky  
\_\_\_\_\_  
City Secretary  
City of Ingleside, Texas

**APPENDIX A**

**FINANCIAL INFORMATION RELATING TO  
THE CITY OF INGLESIDE, TEXAS**

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**FINANCIAL INFORMATION OF THE ISSUER**

**ASSESSED VALUATION**

**TABLE 1**

2021 Actual Certified Market Value of Taxable Property (100% of Market Value).....	\$1,781,142,395
Less Exemptions:	
Optional Over-65 or Disabled Homestead.....	\$ 4,703,999
Disabled/Deceased Veterans'.....	10,235,373
Open-Space Land and Timberland.....	53,158,922
10% Per Year Cap on Residential Homesteads.....	23,967,171
Value lost to Prorations .....	94,110,670
<b>TOTAL EXEMPTIONS .....</b>	<b>\$ 186,176,135</b>
2021 Certified Assessed Value of Taxable Property.....	<u>\$1,594,966,260</u>

Source: San Patricio County Appraisal District.

**GENERAL OBLIGATION BONDED DEBT**

(as of August 1, 2021)

**General Obligation Debt Principal Outstanding**

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2011	\$ 375,000
General Obligation Refunding Bonds, Series 2012	175,000
Tax Notes, Series 2015	125,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015	5,690,000
Tax Notes, Series 2018	995,000
Tax Notes, Series 2019	2,030,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020	2,705,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2020	6,040,000
The Certificates	<u>6,715,000</u>
<b>Total Gross General Obligation Debt</b>	<b>\$ 24,850,000</b>

**Less: Self Supporting Debt**

General Obligation Refunding Bonds, Series 2012 (12.16% EDC)	\$ 45,000
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2020 (100% Utility)	<u>2,705,000</u>
<b>Total Self-Supporting Debt</b>	<b>\$ 2,750,000</b>
<b>Total Net General Obligation Debt Outstanding</b>	<b>\$ 22,100,000</b>

2021 Net Assessed Valuation	\$1,594,966,260
Ratio of Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation	1.56%
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation	1.39%
Population: 2000 - 9,388; 2010 - 9,387; est. 2020 - 10,920	
Per Capita Certified Net Taxable Assessed Valuation - \$146,059.18	
Per Capita Gross General Obligation Debt Principal - \$2,275.64*	
Per Capita Net General Obligation Debt Principal - \$2,023.81*	

**DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE**

**TABLE 2**

- None -

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

**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ending (9/30)	Current Total Outstanding Debt <sup>(1)</sup>	The Certificates			Total Debt Service	Less: Self Supporting Debt Service	Total Net Debt Service
		Principal	Interest	Total			
2021	\$ 2,332,321				\$ 2,332,321	\$ 96,101	\$ 2,236,220
2022	2,078,201	\$ 925,000	\$ 158,938	\$ 1,083,938	3,162,139	96,101	3,066,038
2023	1,776,956	225,000	152,069	377,069	2,154,025	96,101	2,057,925
2024	1,786,372	235,000	142,869	377,869	2,164,241	96,101	2,068,141
2025	1,660,693	240,000	133,369	373,369	2,034,061	96,101	1,937,961
2026	1,408,276	250,000	123,569	373,569	1,781,845	96,101	1,685,744
2027	995,238	265,000	113,269	378,269	1,373,507	96,101	1,277,406
2028	994,263	275,000	102,469	377,469	1,371,732	96,101	1,275,631
2029	1,002,138	285,000	91,269	376,269	1,378,407	96,101	1,282,306
2030	1,013,538	295,000	79,669	374,669	1,388,207	96,101	1,292,106
2031	1,018,788	310,000	67,569	377,569	1,396,357	96,101	1,300,256
2032	1,022,751	315,000	59,203	374,203	1,396,954	96,101	1,300,853
2033	1,030,319	320,000	54,838	374,838	1,405,157	96,069	1,309,088
2034	1,036,712	325,000	50,200	375,200	1,411,912	100,981	1,310,931
2035	1,041,560	330,000	45,081	375,081	1,416,641	100,848	1,315,794
2036	499,827	335,000	39,050	374,050	873,877	100,677	773,200
2037	497,272	345,000	32,250	377,250	874,522	100,472	774,050
2038	499,535	350,000	25,300	375,300	874,835	100,235	774,600
2039	496,609	355,000	18,250	373,250	869,859	99,959	769,900
2040	493,551	365,000	11,050	376,050	869,601	99,651	769,950
2041	99,313	370,000	3,700	373,700	473,013	99,313	373,700
2042	98,948	-	-	-	98,948	98,948	-
2043	98,553	-	-	-	98,553	98,553	-
2044	98,135	-	-	-	98,135	98,135	-
2045	97,698	-	-	-	97,698	97,698	-
2046	97,242	-	-	-	97,242	97,242	-
2047	96,772	-	-	-	96,772	96,772	-
2048	96,292	-	-	-	96,292	96,292	-
2049	100,790	-	-	-	100,790	100,790	-
2050	100,265	-	-	-	100,265	100,265	-
<b>Total</b>	<b>\$ 23,668,927</b>	<b>\$ 6,715,000</b>	<b>\$ 1,503,979</b>	<b>\$ 8,218,979</b>	<b>\$ 31,887,906</b>	<b>\$ 2,936,105</b>	<b>\$ 28,951,800</b>

<sup>(1)</sup> Includes self-supporting debt.

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

2021 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,594,966,260
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	3,162,138.78 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.20230 *

\* Includes the Certificates.

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

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

2021 Certified Freeze Adjusted Net Taxable Assessed Valuation	\$ 1,594,966,260
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2022)	3,066,038.28 *
Anticipated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	\$ 0.19616 *

\* Includes the Certificates.

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

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2020	\$ 445,674
2021 Anticipated Interest and Sinking Fund Tax Lev at 95% Collections Produce <sup>(1)</sup>	2,138,698
Plus: Transfer From Other Sources	96,101
<b>Total Available for General Obligation Debt</b>	<b>\$ 2,680,473</b>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/21	2,332,321
<b>Estimated Surplus at Fiscal Year Ending 9/30/2021 <sup>(1)</sup></b>	<b>\$ 348,152</b>

<sup>(1)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

**GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE**

(As of August 1, 2021)

Fiscal Year Ending 9-30	Principal Repayment Schedule			Principal Unpaid at End of Year	Percent of Principal Retired (%)
	Currently Outstanding <sup>(a)</sup>	The Certificates	Total		
2021	\$ -	\$ -	\$ -	24,850,000	0.00%
2022	1,665,000	925,000	2,590,000	22,260,000	10.42%
2023	1,400,000	225,000	1,625,000	20,635,000	16.96%
2024	1,445,000	235,000	1,680,000	18,955,000	23.72%
2025	1,355,000	240,000	1,595,000	17,360,000	30.14%
2026	1,135,000	250,000	1,385,000	15,975,000	35.71%
2027	750,000	265,000	1,015,000	14,960,000	39.80%
2028	775,000	275,000	1,050,000	13,910,000	44.02%
2029	810,000	285,000	1,095,000	12,815,000	48.43%
2030	845,000	295,000	1,140,000	11,675,000	53.02%
2031	870,000	310,000	1,180,000	10,495,000	57.77%
2032	895,000	315,000	1,210,000	9,285,000	62.64%
2033	925,000	320,000	1,245,000	8,040,000	67.65%
2034	955,000	325,000	1,280,000	6,760,000	72.80%
2035	985,000	330,000	1,315,000	5,445,000	78.09%
2036	460,000	335,000	795,000	4,650,000	81.29%
2037	465,000	345,000	810,000	3,840,000	84.55%
2038	475,000	350,000	825,000	3,015,000	87.87%
2039	480,000	355,000	835,000	2,180,000	91.23%
2040	485,000	365,000	850,000	1,330,000	94.65%
2041	95,000	370,000	465,000	865,000	96.52%
2042	95,000	-	95,000	770,000	96.90%
2043	95,000	-	95,000	675,000	97.28%
2044	95,000	-	95,000	580,000	97.67%
2045	95,000	-	95,000	485,000	98.05%
2046	95,000	-	95,000	390,000	98.43%
2047	95,000	-	95,000	295,000	98.81%
2048	95,000	-	95,000	200,000	99.20%
2049	100,000	-	100,000	100,000	99.60%
2050	100,000	-	100,000	-	100.00%
<b>Total</b>	<b>\$ 18,135,000</b>	<b>\$ 6,715,000</b>	<b>\$ 24,850,000</b>		

<sup>(a)</sup> Includes self-supporting debt.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021**

**TABLE 3**

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2012-13	371,625,078	---	---
2013-14	491,035,525	119,410,447	32.13%
2014-15	506,614,692	15,579,167	3.17%
2015-16	574,998,101	68,383,409	13.50%
2016-17	901,751,591	326,753,490	56.83%
2017-18	1,062,333,407	160,581,816	17.81%
2018-19	1,124,568,796	62,235,389	5.86%
2019-20	1,211,876,954	87,308,158	7.76%
2020-21	1,440,346,444	228,469,490	18.85%
2021-22	1,594,966,260	154,619,816	10.73%

Source: San Patricio County Appraisal District.

**CLASSIFICATION OF ASSESSED VALUATION**

**TABLE 4**

	2021	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 474,350,646	26.63%	\$ 423,600,333	26.74%	\$ 401,066,317	30.64%
Real, Residential, Multi-Family	68,806,167	3.86%	52,670,789	3.32%	41,847,543	3.20%
Real, Vacant Lots/Tracts	76,542,579	4.30%	49,889,184	3.15%	44,766,603	3.42%
Real, Acreage (Land Only)	53,873,200	3.02%	52,865,127	3.34%	54,147,129	4.14%
Real, Farm and Ranch Improvements	10,086,627	0.57%	18,141,322	1.15%	23,599,677	1.80%
Real, Commercial	56,269,733	3.16%	45,709,389	2.89%	53,992,013	4.13%
Real, Industrial	801,187,890	44.98%	719,754,242	45.43%	500,156,949	38.21%
Real & Tangible, Personal Utilities	36,445,105	2.05%	41,650,465	2.63%	22,354,093	1.71%
Tangible Personal, Commercial	15,059,519	0.85%	12,255,351	0.77%	7,782,263	0.59%
Tangible Personal, Industrial	187,115,530	10.51%	166,569,990	10.51%	158,319,560	12.10%
Tangible Personal, Mobile Homes	844,144	0.05%	923,189	0.06%	797,383	0.06%
Residential Inventory	80,667	0.00%	70,174	0.00%		0.00%
Tangible Personal, Special Inventory	480,588	0.03%	235,536	0.01%	-	0.00%
<b>Total Appraised Value</b>	<b>\$ 1,781,142,395</b>	<b>100.00%</b>	<b>\$ 1,584,335,091</b>	<b>100.00%</b>	<b>\$ 1,308,829,530</b>	<b>100.00%</b>
<b>Less:</b>						
Optional Over-65 or Disabled Homestead	\$ 4,703,999		\$ 4,592,000		\$ 4,584,000	
Disabled/Deceased Veterans'	10,235,373		8,642,422		8,277,732	
Open-Space Land and Timberland	53,158,922		52,218,741		53,584,367	
10% Per Year Cap on Res. Homesteads	23,967,171		13,484,284		13,247,157	
Other	94,110,670		65,051,200		17,259,320	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 1,594,966,260</b>		<b>\$ 1,440,346,444</b>		<b>\$ 1,211,876,954</b>	

Source: San Patricio County Appraisal District.

**PRINCIPAL TAXPAYERS 2020**

**TABLE 5**

Name	Type of Business/Property	2020 Net Taxable Assessed Valuation	% of 2020 Assessed Valuation
Moda Ingleside Oil Terminal	Oil and Gas	\$ 317,366,420	22.03%
Kiewit Offshore Services LTD	Oil and Gas	112,583,870	7.82%
Flint Hills Resources CC LLC	Oil and Gas	124,917,900	8.67%
Moda Ingleside Facilities LLC	Oil and Gas	53,988,750	3.75%
Moda Ingleside Facilities LLC	Oil and Gas	38,449,847	2.67%
Air Liquide America LP	Oil and Gas	36,447,910	2.53%
Kiewit Offshore Services LTD	Oil and Gas	26,610,436	1.85%
Subsea 7 (US) LLC	Oil and Gas	26,342,925	1.83%
Occidental Chemical Corp	Oil and Gas	26,141,952	1.81%
Rockstar The Cove LLC	Oil and Gas	20,534,660	1.43%
		<b>\$ 783,384,670</b>	<b>54.39%</b>

As shown in the table above, the top ten taxpayers in the City currently account for in excess of 54.39% of the City's tax base. Adverse developments in economic conditions, particularly in the oil and gas industry, could adversely impact the businesses of these taxpayers and the tax values in the City, resulting in less local tax revenue. See also "INFECTIOUS DISEASE OUTBREAK - COVID-19" in the Official Statement. If any of these taxpayers were to default in the payment of their taxes, the ability of the City to make timely payment of debt service on the Certificates will be dependent on its ability to enforce and liquidate its tax liens, which is a time-consuming process, or, perhaps, to sell tax anticipation notes until such amounts could be collected, if ever. See "THE CERTIFICATES – Default and Remedies" and "AD VALOREM TAX PROCEDURES" in the Official Statement.



**TAX RATE DISTRIBUTION****TABLE 6**

	2020	2019	2018	2017	2016
General Fund	\$ 0.508100	\$ 0.521646	\$ 0.433831	\$ 0.430800	\$ 0.428157
I&S Fund	0.156300	0.160869	0.173822	0.171700	0.174343
Total Tax Rate	<u>\$ 0.664400</u>	<u>\$ 0.682515</u>	<u>\$ 0.607653</u>	<u>\$ 0.602500</u>	<u>\$ 0.602500</u>

Source: San Patricio County Appraisal District.

**TAX DATA****TABLE 7**

Taxes are due October 1 and become delinquent after January 31. Discounts are allowed: 3% October, 2% November, and 1% if paid in December. Current collections are those taxes collected through August 31, applicable to the current year's tax levy. Penalties and Interest: (a) a delinquent tax incurs a penalty of six percent of the amount of the tax for the first calendar month it is delinquent plus one percent for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. However, a tax delinquent on July 1 incurs a total penalty of twelve percent of the amount of the delinquent tax without regard to the number of months the tax has been delinquent; (b) a delinquent tax accrues interest at a rate of one percent for each month or portion of a month the tax remains unpaid; and an additional penalty up to a maximum of 20% of taxes, penalty and interest may be imposed to defray costs of collection for taxes delinquent after July 1. All percentages of collections set forth below exclude penalties and interest.

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2011	\$ 362,146,858	\$ 0.697500	\$ 2,525,974	97.14	97.31	9/30/2012
2012	371,625,078	0.680000	2,527,051	96.59	98.59	9/30/2013
2013	491,035,525	0.625000	3,068,972	97.61	93.26	9/30/2014
2014	506,614,692	0.615000	3,115,680	98.75	101.41	9/30/2015
2015	574,998,101	0.602500	3,464,364	99.88	103.02	9/30/2016
2016	901,751,591	0.602500	5,433,053	98.27	99.78	9/30/2017
2017	1,062,333,407	0.602500	6,400,559	94.39	102.76	9/30/2018
2018	1,124,568,796	0.607653	6,833,476	99.74	100.25	9/30/2019
2019	1,211,876,954	0.682515	8,271,242	99.20	100.80	9/30/2020
2020	1,440,346,444	0.664400	9,569,662	98.37	99.34	9/30/2021*
2021	1,594,966,260		(In process of levy)			9/30/2022

Source: San Patricio County Appraisal District.

\* Collections through June 30, 2021.

**MUNICIPAL SALES TAX COLLECTIONS**

**TABLE 8**

The Issuer 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 tax. The Issuer has authorized the additional one-half cent sales tax for property tax reduction. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2011	\$ 1,038,991	41.13%	0.287
2012	1,135,618	44.94%	0.306
2013	1,304,183	42.50%	0.266
2014	1,314,423	42.19%	0.259
2015	1,746,904	50.42%	0.304
2016	1,966,221	36.19%	0.218
2017	2,181,972	34.09%	0.205
2018	3,434,061	50.25%	0.305
2019	4,905,864	59.31%	0.405
2020	3,768,173	39.38%	0.262
2021	1,869,439	(As of July, 2021)	

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

**OVERLAPPING DEBT INFORMATION**

(As of August 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 Issuer are paid out of ad valorem taxes levied by these taxing bodies on properties overlapping the Issuer. These political taxing bodies are independent of the Issuer 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 Issuer 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 8/1/21)	% Overlapping	Amount Overlapping
Ingleside ISD	\$ 39,010,000	38.40%	\$ 14,979,840
San Patricio Co	49,909,317	8.45%	4,217,337
Total Gross Overlapping Debt			<u>\$ 19,197,177</u>
Ingleside, City of			\$ 24,850,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 44,047,177</u> *
Ratio of Gross Direct Debt and Overlapping Debt			2.76% *
Per Capita Gross Direct Debt and Overlapping Debt			\$4,033.62 *

Note: The above figures show Gross General Obligation Debt for the City of Ingleside, Texas. The Issuer's Net General Obligation Debt is \$22,100,000. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Net Direct and Overlapping Debt	\$ 41,297,177 *
Ratio of Net Direct and Overlapping Debt to 2020 Net Assessed Valuation	2.59% *
Per Capita Net Direct and Overlapping Debt	\$3,781.79 *

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

\* Includes the Certificates.

**GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES**

**TABLE 9**

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer'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	\$ 8,791,483	\$ 5,134,007	\$ 2,143,659	\$ 2,277,682	\$ 1,662,119
Revenues	13,361,523	11,570,791	10,113,334	7,970,058	6,569,101
Expenditures	11,919,825	9,046,035	7,860,631	7,419,714	6,718,538
Excess (Deficit) of Revenues Over Expenditures	\$ 1,441,698	\$ 2,524,756	\$ 2,252,703	\$ 550,344	\$ (149,437)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 3,551,332	\$ 1,132,720	\$ 1,368,818	\$ 978,489	\$ 765,000
Capital Lease Issued	-	-	-	-	-
Operating Transfers Out	(5,925,548)	-	(631,173)	(2,333,546)	-
Total Other Financing Sources (Uses):	\$ (2,374,216)	\$ 1,132,720	\$ 737,645	\$ (1,355,057)	\$ 765,000
Prior Period Adjustment	\$ -	\$ -	\$ -	\$ 670,691	\$ -
Fund Balance - End of Year	\$ 7,858,965*	\$ 8,791,483	\$ 5,134,007	\$ 2,143,660	\$ 2,277,682

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

\* City administration anticipates an unaudited general fund balance of approximately \$8,343,833 for the fiscal year ending 2021.

**ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS**

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Ingleside ISD	\$ 3,646,606,732	100%	\$ 1.064000
San Patricio Co	9,629,027,771	100%	0.417000

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
Ingleside ISD	None			
San Patricio Co	None			

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

**EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS****TABLE 10**

Information regarding the Issuer's pension plan can be found within their 2020 Audit under "Note 8: PENSIONS"

**WATERWORKS AND SEWER SYSTEM PLANT IN OPERATION****TABLE 11***As of September 30, 2020*

Land Purchase and Improvements	\$	329,494
Construction in Progress		48,940
Buildings		475,079
Water System		10,081,090
Sewer System		20,747,733
Vehicles		1,804,011
Furniture and Equipment		<u>328,949</u>
Total	\$	<u>33,815,296</u>
Less Accumulated Depreciation		<u>(20,082,582)</u>
Net Waterworks and Sewer System in Service	\$	<u><u>13,732,714</u></u>

**UTILITY SYSTEM COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES****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	\$ 5,748,400	\$ 4,588,264	\$ 4,344,283	\$ 4,104,757	\$ 4,091,369
Expenses					
Water Purchased	1,144,540	1,083,133	1,042,044	1,037,132	1,059,304
Other	<u>\$ 2,286,236</u>	<u>\$ 2,020,023</u>	<u>\$ 1,472,316</u>	<u>\$ 2,420,464</u>	<u>\$ 1,865,036</u>
Total Operating Expenses	3,430,776	3,103,156	2,514,360	3,457,596	2,924,340
Net Revenue Available For Debt					
Service	\$ 2,317,624	\$ 1,485,108	\$ 1,829,923	\$ 647,161	\$ 1,167,029
Revenue Bond Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage	--	--	--	--	--
Total Revenue Supported Debt Service	\$ -	\$ -	\$ -	\$ -	\$ -
Coverage	--	--	--	--	-
Customer Count:					
Water	3,202	3,155	3,160	3,169	3,132
Sewer	3,059	3,015	3,024	3,035	2,996

\* As of September 30, 2014, the City no longer had any Utility System supported debt service.

**WATER SUPPLY****TABLE 13**

The City is one of eight municipal customers of the San Patricio Municipal Water District which provides the Cities of Aransas Pass, Gregory, Ingleside, Odem, Portland, Taft, Nueces County WC&ID #4 (Port Aransas), and Aransas County Conservation and Reclamation District (Rockport) with treated water. The San Patricio Municipal Water District purchases its supply (raw) from the City of Corpus Christi under contract executed May 27, 1963, and in addition to its municipal customers, provides both raw and treated water to various other rural, commercial and industrial customers.

New Rates Effective October 1, 2019

<b>Water Base Rate Meter Size</b>	<b>Monthly Amount</b>
Meters – ¾" Residential	\$24.37
Meters – ¾" Commercial	21.56
Meters – 1" Residential	41.19
Meters – 1" Commercial	38.37
Meters – 2"	153.25
Meters – 3"	344.86
Meters – 4"	612.99
Meters – 6"	1,379.45
Meters – 8"	2,452.40
Meters – 10"	3,831.85

**Water Volume Rate**  
**Volume in Month In Gallons**

0-2,000 gals	\$4.26
2,001-10,000 gals	4.59
10,001-50,000 gals	5.22
50,001-100,000 gals	5.74
100,001-300,000 gals	6.58
Over 300,001 gals	6.91

For residential customers only, there shall be no volume charge for the first 2,000 gallons. The volume charge shall only apply to the monthly gallons over 2,000 for residential customers only.

Old Rates (May 5, 2018)

<b>Water Base Rate Meter Size</b>	<b>Monthly Amount</b>
Meters – ¾" Residential	\$23.21
Meters – ¾" Commercial	20.53
Meters – 1" Residential	39.23
Meters – 1" Commercial	36.54
Meters – 2"	145.95
Meters – 3"	328.44
Meters – 4"	583.8
Meters – 6"	1,313.76
Meters – 8"	2,335.62
Meters – 10"	3,649.38

**Water Volume Rate**  
**Volume in Month In Gallons**

0-2,000 gals	\$4.06
2,001-10,000 gals	4.37
10,001-50,000 gals	4.97
50,001-100,000 gals	5.47
100,001-300,000 gals	6.27
Over 300,001 gals	6.58

For residential customers only, there shall be no volume charge for the first 2,000 gallons. The volume charge shall only apply to the monthly gallons over 2,000 for residential customers only.

New Rates Effective October 1, 2019

Sewer Base Rate Meter Size	Monthly Amount
Meters – 3/4 “	\$22.83
Meters – 1”	40.62
Meters – 2”	162.27
Meters – 3”	365.15
Meters – 4”	649.06
Meters – 6”	1,460.59
Meters – 8”	2,596.61
Meters – 10”	4,062.27

Sewer Volume	Monthly Amount Per Thousand Gallon Volume
Residential	\$2.54
Commercial	\$2.92

Old Rates Effective November 15, 2016

Sewer Base Rate Meter Size	Monthly Amount
Meters – 3/4 “	\$21.74
Meters – 1”	38.69
Meters – 2”	154.54
Meters – 3”	347.76
Meters – 4”	618.15
Meters – 6”	1,391.04
Meters – 8”	2,472.96
Meters – 10”	3,868.83

Sewer Volume	Monthly Amount Per Thousand Gallon Volume
Residential	\$2.42
Commercial	\$2.78

**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF INGLESIDE  
AND SAN PATRICIO COUNTY, TEXAS**

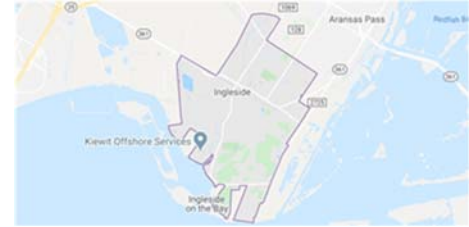
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**GENERAL INFORMATION REGARDING THE CITY OF INGLESIDE  
AND SAN PATRICIO COUNTY, TEXAS**

**City of Ingleside**

The City of Ingleside (the “City”) is a residential community 18 miles northeast of Corpus Christi on State Highway 361, 150 miles southeast of San Antonio, and 225 miles southwest of Houston. The City is the second largest city in population in San Patricio County.



The City of Ingleside was incorporated on June 18, 1951 under the provisions of the laws for the State of Texas. The City operates under a charter with a Council-Manager type of government where the Mayor and six council members are elected on a rotating schedule. The City Council and Mayor are responsible for enacting ordinances, resolutions, and regulations governing the City, appointing member of various statutory and advisory boards, the City Manager is responsible for enforcement of laws and ordinances, and appoints and supervises the heads of departments of the City organization.

**Economy**

Some of the largest corporations of the nation are located in the City.

- Kiewit Offshore Services
- Golf Marine Fabricators
- OxyChem
- Air Liquide America LP
- EMAS (previously Helix Energy Corporation)
- Flint Hills Natural Resources

**Education**

Ingleside Independent School District (the “District”) is located within the City of Ingleside and in San Patricio County, Texas. The District consists of 1 Primary school, 2 Elementary schools, 1 Junior High School and 1 High School.

**San Patricio County**

San Patricio County (the “County”) was created in 1836. The County operates under a County Judge-Commissioners Court type of government. The land area of the County is 685 square miles. Farming, ranching, oil and gas production, industry and the fish and shrimping business have contributed to the growth of San Patricio County.

**2019 Major Employers:**

Employer	# of Employees
Kiewit Offshore Services, Ltd	1,754
Occidental Chemical	701
HEB	552
San Patricio County	481
Walmart	453
DupPont Dumours	328
Gulf Marine FAB	139

**Labor Force Statistics <sup>(1)</sup>**

<b>Labor Force Statistics – San Patricio, Texas <sup>(1)</sup></b>				
	<u>2021 <sup>(2)</sup></u>	<u>2020 <sup>(3)</sup></u>	<u>2019 <sup>(3)</sup></u>	<u>2018 <sup>(3)</sup></u>
Civilian Labor Force	29,447	29,221	29,764	30,078
Total Employed	26,490	26,223	28,135	29,163
Total Unemployed	2,957	2,998	1,629	1,915
% Unemployment	10.0%	10.3%	5.5%	6.4%
Texas Unemployment	6.6%	7.6%	3.5%	3.9%

(1) Source: Texas Workforce Commission.  
 (2) As of June, 2021.  
 (3) Average annual statistics.

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**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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October 13, 2021

Norton Rose Fulbright US LLP  
98 San Jacinto Boulevard, Suite 1100  
Austin, Texas 78701-4255  
United States  
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**FINAL**

IN REGARD to the authorization and issuance of the “City of Ingleside, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021” (the *Certificates*), dated September 1, 2021 in the aggregate principal amount of \$6,715,000 we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Ingleside, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of February 1 in each of the years 2022 through 2041, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the Issuer or the Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. 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.

WE HAVE EXAMINED, the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Council of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

Norton Rose Fulbright US LLP is a limited liability partnership registered under the laws of Texas.

Norton Rose Fulbright US LLP, Norton Rose Fulbright LLP, Norton Rose Fulbright Australia, Norton Rose Fulbright Canada LLP and Norton Rose Fulbright South Africa Inc are separate legal entities and all of them are members of Norton Rose Fulbright Verein, a Swiss verein. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients. Details of each entity, with certain regulatory information, are available at [nortonrosefulbright.com](http://nortonrosefulbright.com).

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF INGLESIDE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021”**

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors’ rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property in the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer’s combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of the currently outstanding Subordinate Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, or Additional Subordinate Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Subordinate Lien Obligations that are payable in part from and secured by a subordinate and inferior lien on and pledge of the Net Revenues of the System in accordance with the ordinance authorizing the issuance of the currently outstanding Subordinate Lien Obligations. The Issuer has also previously authorized the issuance of the Limited Pledge Obligations that are payable in part from and secured by a lien on and pledge of a limited amount of the Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Limited Pledge Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Additional Subordinate Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits,

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF INGLESIDE, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021”**

individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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

Norton Rose Fulbright US LLP

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**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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**ERNEST R. GARZA  
AND COMPANY, P.C.**  
*Certified Public Accountants*

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MEMBER  
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Texas Society of Certified Public Accountants



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## **Independent Auditor's Report**

The Honorable Mayor,  
Members of City Council  
City of Ingleside, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ingleside, Texas, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### ***Opinions***

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

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis, Other Post-employment benefits Schedule of Funding Progress, Other Post-Employment Benefits Schedule of Annual Required Contributions, Schedule of Changes in the Net Pension Liabilities and Related Ratios, and budgetary comparison information* on pages 21-28 and 38 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

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

The *combining and individual non-major fund financial statements* is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statement 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 non-major fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

Ernest R. Garza & Company, P.C. CPA's  
Corpus Christi, Texas  
May 4, 2021



**CITY OF INGLESIDE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

This discussion and analysis of the City of Ingleside's financial performance is intended to provide an overview and analysis of the City's financial activities for the fiscal year ended September 30, 2020. The transmittal letter and the accompanying basic financial statements.

**FINANCIAL HIGHLIGHTS**

- On a City wide basis, the City's liquidity changed from \$28,424,015 to \$40,765,563 during the past year.
- The City's total debt increased by \$7.584 million during 2020 from \$12.597 million to \$20.181 million.
- As of September 30, 2020, the City of Ingleside's General Fund reported ending fund balance of \$7,858,964 compared to \$8,791,483 in the prior year. This decrease in the General Fund was due to an extra contribution to the retirement system. (Exhibit C-3)
- As of September 30, 2020, the City of Ingleside's governmental funds reported combined ending fund balance of \$34,963,620 compared to \$23,608,476 in the year before. (Exhibit C-3)
- The Net Position of the City of Ingleside exceeded its liabilities at the close of the fiscal year ending September 30, 2020 for governmental and enterprise funds from \$51,924,576 to \$56,239,316, a net increase of \$4,314,740; consisting of combined operating income of \$6,126,163 from governmental activities and \$(1,811,424) from the utility activities operations for a total increase of \$4,314,740. (Exhibit B-1)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The discussion and analysis serves as an introduction to the City of Ingleside's basic financial statements. The City of Ingleside's basic financial statements are comprised of three components: government-wide financial statements, fund financial statements and 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 of Ingleside's finances, in a manner similar to a private-sector business.

**CITY OF INGLESIDE, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**SEPTEMBER 30, 2020**

The Statement of Activities presents information showing how the City's Net Position changed during the most recent fiscal year. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxed and earned but not used vacation leave). Both the Statement of Net Position and the Statement of Activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

In the Statement of Net Position and the Statement of Activities, the City is divided into three kinds of activities:

- Governmental Activities - Most of the City's basic services are reported here, including the police, fire, library, building and inspections, sanitation, code enforcement, parks and recreation and general administration. Property taxes, sales taxes and franchise fees finance most of these activities.
- Business type Activities - the City charges a fee to customers to help it cover all or most of the cost of certain services it provides. The City's water and sewer system are reported here.
- Blended Component Units - The City of Ingleside Development Corporation was formed to promote economic development within the City and to administer the distribution of the proceeds of any developmental bonds issued and certain development sales taxes received on behalf of the City. Due to the financial interdependency of the Corporation, it is a blended component unit reported as a special revenue fund.

Reporting the City's Most Significant Funds

**Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds- not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City has established many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other money. The City's two kinds of funds- governmental and propriety- utilize different accounting guidelines.

**CITY OF INGLESIDE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

- **Governmental Funds-** the majority of the City's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method identified as the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. The governmental fund statements provided a detailed short term view of the City's general governmental operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

By comparing information presented for governmental activities in the government-wide statements, readers may better understand the long term effect of the government's near term operating decisions. The relationships or differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds are detailed in a reconciliation following the fund financial statement.

The City of Ingleside maintains eleven individual governmental funds. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the General Fund and the General Capital Projects Fund all of which are considered to be major funds. Data from the other nine governmental funds are combined into a single, aggregated non major fund presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

- **Proprietary Funds-** the City charges customers for the services it provides. These services are generally reported in the proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds (a component of proprietary funds) are identical to the business type activities that are reported in the government-wide statements but provide more detail and additional information, such as cash flows, for proprietary funds.

#### **Notes to the Financial Statements**

These 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 immediately following the basic financial statements.

#### **Other Information**

In addition to basic financial statement and accompanying notes, this report presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension benefits to the employees and budgetary comparative information for the general fund.

**CITY OF INGLESIDE, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2020**

**The City as a Whole- Government-wide Financial Analysis**

The City's combined Net Position were \$56.239 million as of September 30, 2020 compared to \$51.925 million as of September 30, 2019. Analyzing the Net Position and net expenses of governmental and business-type activities separately, the governmental activities Net Position are \$39.05 million and the business type activities Net Position are \$17.19 million. The analysis focuses on the Net Position (Table 1) and changes in general revenues (Table 2) and significant expenses of the City's governmental and business type-activities.

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

Table I  
CITY OF INGLESIDE, TEXAS  
STATEMENT OF NET POSITION

	Governmental Activities		Variance	Business-Type Activities		Variance
	2020	2019	Increase/ (Decrease)	2020	2019	Increase/ (Decrease)
Current and other assets	\$ 38,205,037	\$ 27,414,563	10,790,474	\$ 7,618,590	\$ 6,627,910	990,680
Capital assets	20,922,651	21,197,620	(274,969)	13,732,714	14,581,751	(849,037)
Total assets:	59,127,688	48,612,183	10,515,505	21,351,304	21,209,661	141,643
Deferred Outflows of Resources						
Deferred Outflows - pensions	281,520	588,004	(306,484)	84,090	175,638	(91,548)
Deferred Outflows - pensions- OPEB	61,586	39,719	21,867	79,982	11,864	68,118
Total Deferred Outflows/ Resources	343,106	627,723	(284,617)	164,072	187,502	(23,430)
Long-term liabilities	14,880,000	9,870,000	5,010,000	3,255,000	860,000	2,395,000
Other liabilities	4,470,010	5,054,894	(584,884)	641,733	1,114,400	(472,667)
Pension Liability	-	1,100,597	(1,100,597)	-	328,750	(328,750)
Pension Liability - OPEB	217,260	198,319	18,941	282,156	59,238	222,918
Total liabilities	19,567,270	16,223,810	3,343,460	4,178,889	2,362,388	1,816,501
Deferred Inflows of Resources						
Deferred Bond Premium	498,650	-	498,650	-	-	-
Deferred Amounts Related/Pensions	325,169	88,166	237,003	97,129	26,335	70,794
Deferred Amounts Related/Pensions- OPEB	34,692	9,081	25,611	45,055	2,713	42,342
Total Deferred Inflows of Resources	858,511	97,247	761,264	142,184	29,048	113,136
Net Position:						
Invested in capital assets	4,825,528	10,047,620	(5,222,092)	10,077,715	13,246,751	(3,169,036)
Restricted	25,585,869	11,424,913	14,160,956	-	-	-
Commitments	1,518,787	1,136,289	382,498	4,023,100	1,698,497	2,324,603
Unrestricted	7,114,829	10,310,027	(3,195,198)	3,093,488	4,060,479	(966,991)
Total Net Position	\$ 39,045,013	\$ 32,918,849	6,126,164	\$ 17,194,303	\$ 19,005,727	(1,811,424)



**Table II**  
**CITY OF INGLESIDE, TEXAS**  
**CHANGES IN NET POSITION**

	Governmental Activities			Business Type Activities		
	2020	2019	Variance	2020	2019	Variance
<b>Revenues:</b>						
Property Taxes, Penalties & Interest	\$ 8,002,175	\$ 6,627,356	\$ 1,374,819	\$ -	\$ -	\$ -
Sales Tax	4,814,533	4,975,247	(160,714)	-	-	-
Franchise Taxes	1,102,523	1,095,851	6,672	-	-	-
Charges for Services	1,378,094	1,316,751	61,343	5,748,400	4,380,054	1,368,346
Other Taxes	18,947	15,225	3,722	-	-	-
Licenses and Permits	1,315,162	603,973	711,189	-	-	-
Grants & Contributions Not Restricted	74,082	481,505	(407,423)	344,652	42,527	302,125
Investment Earnings	218,109	314,053	(95,944)	66,765	157,081	(90,316)
Other Revenue - net	621,707	2,086,896	(1,465,189)	-	8,602	(8,602)
<b>Total Revenues</b>	<b>17,545,332</b>	<b>17,516,857</b>	<b>28,475</b>	<b>6,159,817</b>	<b>4,588,264</b>	<b>1,571,553</b>
<b>Expenses:</b>						
General Government	4,572,702	3,424,021	1,148,681	-	-	-
Public Safety	3,768,403	4,041,309	(272,906)	-	-	-
Public Works	4,669,573	1,035,754	3,633,819	4,314,556	3,989,524	325,032
Cultural and Recreational	1,202,107	1,351,605	(149,498)	-	-	-
Economic Development	212,679	267,900	(55,221)	-	-	-
Bond Interest & Fiscal Agent Fees	135,421	303,061	(167,640)	514,967	48,066	466,901
<b>Total Expenses</b>	<b>14,560,885</b>	<b>10,423,650</b>	<b>4,137,235</b>	<b>4,829,523</b>	<b>4,037,590</b>	<b>791,933</b>
<b>Increase (Decrease) in Net Position</b>						
before transfers and special items	2,984,447	7,093,207	(4,108,760)	1,330,294	550,674	779,620
Transfers	3,141,717	972,370	2,169,347	(3,141,717)	(972,370)	(2,169,347)
<b>Total Net Changes in Net Position</b>	<b>6,126,164</b>	<b>8,065,577</b>	<b>(1,939,413)</b>	<b>(1,811,423)</b>	<b>(421,696)</b>	<b>(1,389,727)</b>
Net Position at Beginning	32,918,849	24,853,272	8,065,577	19,005,726	19,466,666	(460,940)
Prior Period Adjustment	-	-	-	-	(39,243)	39,243
<b>Net Position at Ending</b>	<b>\$ 39,045,013</b>	<b>\$ 32,918,849</b>	<b>6,126,164</b>	<b>\$ 17,194,303</b>	<b>\$ 19,005,727</b>	<b>(1,811,424)</b>

Increase in property tax valuation and sales tax along with grants were the reason for the large increase in fund balance.

**Government Fund Activities**

The City’s general fund revenues increased when compared to the prior year by 15.48 percent or \$1,790,732. The assessed value of the property in the City increased by \$88.7 million from \$1,124,090,118 to 1,212,806,941, or 7.89 percent, as compared to the prior year. In addition to ad valorem property taxes, the City collects sales taxes, franchise taxes, beverage taxes and other taxes in lieu of ad valorem taxes. General Fund sales tax revenue decreased from \$3,568,849 to \$3,320,509 by \$248,340 which is a 6.96 percent decrease over the previous year due to significant industrial projects and the Covid-19 virus.

**Table III  
General Fund Revenues  
At September 30**

	2020	2019	Increase (decrease)	% of Inc.(Dec)
Taxes	\$ 10,363,019	\$ 9,251,121	\$ 1,111,898	12.0%
Licenses and Permits	1,315,162	603,973	711,189	117.8%
Intergovernmental	-	-	-	0.0%
Charges for Services	1,225,497	1,171,439	54,058	4.6%
Fines and Penalties	152,598	145,312	7,286	5.0%
Other	305,247	398,946	(93,699)	-23.5%
<b>Total General Revenues</b>	<b>\$ 13,361,523</b>	<b>\$ 11,570,791</b>	<b>\$ 1,790,732</b>	<b>15.5%</b>

The most significant governmental expense for the City was in Public Works \$4,669,573, followed by General Government with \$4,572,702 and \$3,768,403 for Public Safety. (Exhibit B-1)

The General fund had a strong ending fund balance of \$7,858,964 which was lower than the prior year but due to the slower economy due to the Covid-19 virus.

**Enterprise Fund Activities**

Revenues of the City’s Utility Funds were \$5.748 million for the fiscal year ending September 30, 2020. Other revenue was recognized for the pension liability being reduced and becoming an asset at the Texas Municipal Retirement System. Operating expenses were \$4.31 million for the year, resulting in net operating revenues of \$1.43 million after depreciation but before transfers out and other non-revenue 3.14 million which resulted in a net loss of \$1.81 million. The most significant expense of the Utility Fund was \$1.144 million to purchase water and \$.955 million in salaries and benefits.

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year 2020, the City of Ingleside had over \$70.00 million invested in a broad range of capital assets, including police and fire equipment building, land, park facilities, roads, bridges, vehicles, and water and sewer lines, (See Table 4.) The bulk of the new additions were for the expansion of the infrastructure and utility improvements.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	\$ 3,836,406	\$ 3,836,406	\$ 329,494	\$ 329,494	\$ 4,165,900	\$ 4,165,900
Buildings & Improvements	9,877,302	9,848,259	475,079	475,079	10,352,381	10,323,338
Machinery and Equipment	7,998,007	7,629,513	1,804,011	1,804,011	9,802,018	9,433,524
Infrastructure	11,674,772	11,674,772	-	-	11,674,772	11,674,772
Furniture and Fixtures	2,808,058	2,652,313	328,949	328,949	3,137,007	2,981,262
Water and Sewer System			30,828,823	12,155,823	30,828,823	12,155,823
Construction in Progress	-	-	48,940	48,940	48,940	48,940
Total Capital Assets	\$ 36,194,545	\$ 35,641,263	\$ 33,815,296	\$ 15,142,296	\$ 70,009,841	\$ 50,783,559

## Debt

At year-end, the City of Ingleside had \$20.035 million in General Certifications of Obligation and Revenue Bonds as compared to \$12.485 million at the end of the prior fiscal year. Table 5 below reflects outstanding long-term debt increased 60.12 percent.

**Table V**  
**Outstanding Long-Term Debt**  
**at September 30**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Tax Notes	\$ 10,405,000	\$ 4,855,000	\$ -	\$ -	\$ 10,405,000	\$ 4,855,000
General Certificates of Obligations	5,975,000	6,295,000	-	-	5,975,000	6,295,000
Revenue Bonds	-	-	3,655,000	1,335,000	3,655,000	1,335,000
Total Outstanding Debt	\$ 16,380,000	\$ 11,150,000	\$ 3,655,000	\$ 1,335,000	\$ 20,035,000	\$ 12,485,000

The above outstanding debt represents long term debt. The City Charter authorizes the City of Ingleside to issue bonds, when authorized by the voters or the City Council, for any purpose for which a city may issue bonds under the Constitution and laws of the State of Texas. The Charter precludes the use of bond proceeds for any other purpose other than that for which the bonds were sold. At September 30, 2020, the City did not have any other authorized but not issued bonds.

Prior to the 2007 fiscal year, the City of Ingleside designated combination tax and revenue bond debt to be serviced by the collection of property taxes. In 2015, the City issued Tax Notes of \$730,000 with an interest rate of 1.69%, in 2016, the City issues Tax Notes of \$735,000 with an interest rate of 1.37% and in 2017 the City issued Tax Note of \$1,000,000 with an interest rate of 1.29%. In 2019, the City issued Tax Notes of \$2,800,000 with an interest rate of 1.530%. In 2020, the City issues \$6,510,000 in Combination Tax and Limited Pledge Revenue Certificates of Obligation with interest rates from 2.00% to 5.00% and \$2,795,000 in Combination Tax and Subordinate Lien Revenue Certificate of Obligation Bonds with variable interest from .07% to .53%.

The City bond rating from Standard and Poor's Corporation was changed/increased from A to AA- in 2015.

## **THE CITY'S FUNDS**

At the close of the City's fiscal year on September 30, 2020, the governmental funds of the City reported a combined fund balance of \$34,963,620. This ending balance includes a decrease of \$932,519 in the City's General Fund Balance to \$7,858,964 from \$8,791,483 from operations.

Other governmental fund balances include:

- Street Maintenance Tax Fund, decreased from \$842,610 to \$789,125.
- The Ingleside Development fund balance increased from \$1,252,616 to \$1,635,114.
- The Hotel-Motel Tax Fund increased from \$868,233 to \$1,105,007.
- The Debt Service fund balance increased from \$177,470 to \$445,674.

In the Proprietary Funds, retained earnings changes are:

- The unrestricted Net Position of the Enterprise Funds decreased from \$4,060,479 to \$3,093,488 due to commitments established by City Council.

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City's elected and appointed officials considered many factors when setting the fiscal year 2020-2021 budget, tax rates and fees that will be charged for the business-type activities. The total growth of the City's commercial development and revenues remain on target. Total property tax valuations continue to increase; thus the property tax revenues are still increasing while the tax rate could decrease. Water and sewer utility rates, and transfers from the Debt Service, provide adequate revenue to cover the cash expenses of the Utility fund.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives from all sources. If you have questions about this report or need additional financial information, contact the City Management, at the City of Ingleside, P.O. Drawer 400, Ingleside, Texas 78362.

## **BASIC FINANCIAL STATEMENTS**



**CITY OF INGLESIDE, TEXAS**  
**STATEMENT OF NET POSITION**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**EXHIBIT A-1**

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS:</b>			
Cash and Investments	\$ 36,566,841	7,108,872	43,675,712
Receivables (net of allowance)	80,056	292,771	372,827
Prepaid Items	-	-	-
Due From Other Funds	-	-	-
Due From Others	1,275,264	-	1,275,264
Inventory	-	132,450	132,450
Bond Issue Cost (net)	-	-	-
Restricted Assets:			
Temporarily Restricted:			
Net Pension Asset	282,876	84,496	367,372
Capital Assets:			
Land	3,836,406	329,494	4,165,900
Infrastructure and Buildings, net	12,587,986	12,764,045	25,352,031
Machinery and Equipment, net	4,498,259	590,235	5,088,494
Construction in Progress	-	48,941	48,941
<b>TOTAL ASSETS:</b>	<b>\$ 59,127,689</b>	<b>21,351,303</b>	<b>80,478,991</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Outflow Related to Pension Plan	\$ 281,520	84,090	365,610
Deferred Outflow Related to Pension Plan-OPEB	61,586	79,982	141,568
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ 343,106</b>	<b>164,072</b>	<b>507,178</b>
<b>LIABILITIES:</b>			
Accounts Payable & Other Current Liab.	\$ 2,894,166	15,984	2,910,150
Due to Other Funds	0	-	0
Due to Others	-	-	-
Accrued Liabilities	75,844	34,170	110,014
Current Bonds/Loans Payable	1,500,000	400,000	1,900,000
Payable from Restricted Assets	-	191,579	191,579
Bonds Payable - Long Term	14,880,000	3,255,000	18,135,000
Net Pension Liability	-	-	-
Net Pension Liability - OPEB	217,260	282,156	499,416
<b>TOTAL LIABILITIES</b>	<b>\$ 19,567,270</b>	<b>4,178,889</b>	<b>23,746,158</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Bond Premium	498,650	-	498,650
Deferred Amounts Related to Pensions	\$ 325,169	97,129	422,298
Deferred Amounts Related to Pensions - OPEB	34,692	45,055	79,747
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>\$ 858,512</b>	<b>142,184</b>	<b>1,000,695</b>
<b>NET POSITION:</b>			
Invested in Capital Assets	\$ 4,825,528	10,077,714	14,903,242
Restricted for Revenue Bond Retirement	-	-	-
Commitments	1,518,787	4,023,100	5,541,888
Restricted for Capital Project Funds	23,918,861	-	23,918,861
Restricted for Special Revenue Funds	1,221,334	-	1,221,334
Restricted for Debt Service Funds	445,674	-	445,674
Unrestricted Net Position	7,114,829	3,093,488	10,208,317
<b>TOTAL NET POSITION</b>	<b>\$ 39,045,013</b>	<b>17,194,303</b>	<b>56,239,316</b>

The notes to the Financial Statements are an integral part of this statement.

**CITY OF INGLESIDE, TEXAS**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges For Services</u>	<u>Operating Grants and Contributions</u>
<u>Government:</u>			
GOVERNMENTAL ACTIVITIES:			
10 General Government	\$ 4,572,702	-	-
21 Public Safety	3,768,403	152,598	-
31 Public Works	4,669,573	1,225,497	-
50 Culture and Recreation	1,202,107	-	-
65 Economic Development and Assistance	212,679	-	-
73 Bond Interest and Fiscal Charges	135,420	-	-
Amortization Bond Premiums	-		
TOTAL GOVERNMENT	<u>\$ 14,560,885</u>	<u>1,378,094</u>	<u>-</u>

BUSINESS-TYPE ACTIVITIES:

701 Utility Fund	\$ 4,314,556	5,748,400	-
Total Business Type Activities:	<u>\$ 4,314,556</u>	<u>5,748,400</u>	<u>-</u>

Revenues:

Taxes:

Property Taxes, Levied for Debt Service, Penalty, Int.

Sales Taxes

Franchise Taxes

Other Taxes

Licenses and Permits

Grants and Contributions not Restricted

Sundry Revenue

Investment Earnings

Transfers In (Out)

Total Revenues and Transfers

Change in Net Position

Net Position - Beginning

Prior Period Adjustment

Net Position - Ending

The notes to the Financial Statements are an integral part of this statement.



EXHIBIT B-1

Net (Expense) Revenues and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (4,572,702)	-	(4,572,702)
(3,615,805)	-	(3,615,805)
(3,444,076)	-	(3,444,076)
(1,202,107)	-	(1,202,107)
(212,679)	-	(212,679)
(135,420)	(514,967)	(650,387)
-	-	-
<u>\$ (13,182,790)</u>	<u>(514,967)</u>	<u>(13,697,757)</u>
-	1,433,843	1,433,843
-	918,877	1,433,843
\$ 8,002,175	-	8,002,175
4,814,533	-	4,814,533
1,102,523	-	1,102,523
18,947	-	18,947
1,315,162	-	1,315,162
74,082	344,652	418,734
621,705	-	621,705
218,109	66,765	284,874
3,141,717	(3,141,717)	-
<u>\$ 19,308,953</u>	<u>(2,730,300)</u>	<u>16,578,653</u>
<u>6,126,163</u>	<u>(1,811,424)</u>	<u>4,314,740</u>
<u>32,918,849</u>	<u>19,005,726</u>	<u>51,924,576</u>
-	-	-
<u>\$ 39,045,013</u>	<u>17,194,303</u>	<u>56,239,316</u>

CITY OF INGLESIDE, TEXAS  
 BALANCE SHEET  
 GOVERNMENT FUNDS  
 SEPTEMBER 30, 2020

EXHIBIT C-1

	General	Harvey Recovery Fund	General Capital Projects Fund	Houghton Capital Projects Fund	Rolling Stock & Major Equip. Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and Investments	9,164,436	-	10,360,480	9,108,831	712,654	7,220,440	36,566,841
Receivables and Allowances:							
Accounts	-	-	-	-	-	-	-
Assesments, Fees and Other	-	-	-	-	-	107	107
Hotel-Motel Tax/Other	567	-	-	-	-	-	567
Inventory	128,562	-	-	-	-	-	128,562
Due From Other Governmental Agencies							
Sales Taxes and Other	712,009	-	-	-	-	434,693	1,146,702
Ad Valorem Taxes	337,065	-	-	-	-	103,947	441,012
Allowance for Uncollectible Taxes	(276,394)	-	-	-	-	(85,236)	(361,630)
Due From Other Funds	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>10,066,246</u>	<u>-</u>	<u>10,360,480</u>	<u>9,108,831</u>	<u>712,654</u>	<u>7,673,950</u>	<u>37,922,161</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Accounts Payable	57,678	-	188,719	-	-	118,069	364,467
Other Payables	21,301	-	-	-	-	-	21,301
Due to Other Funds	0	-	-	-	-	-	0
Unearned Revenues	2,067,630	-	-	-	-	425,760	2,493,391
<b>TOTAL LIABILITIES</b>	<u>2,146,609</u>	<u>-</u>	<u>188,719</u>	<u>-</u>	<u>-</u>	<u>543,830</u>	<u>2,879,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Unavailable Revenue - Property Taxes	60,672	-	-	-	-	18,710	79,382
<b>Total Deferred Inflows of Resources</b>	<u>60,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,710</u>	<u>79,382</u>
<b>FUND BALANCE</b>							
<b>Nonspendable Fund Balance</b>							
Inventory	128,562	-	-	-	-	-	128,562
Prepaid Items	-	-	-	-	-	-	-
<b>Restricted Fund Balance</b>							
Public Safety/Works/Parks	-	-	10,171,761	9,108,831	712,654	3,925,614	23,918,861
Tourism and Development	-	-	-	-	-	1,221,334	1,221,334
Debt Service	-	-	-	-	-	445,674	445,674
<b>Committed Fund Balance</b>							
Economic Development	-	-	-	-	-	1,518,787	1,518,787
Compensated Absences	88,546	-	-	-	-	-	88,546
Resolution	2,261,509	-	-	-	-	-	2,261,509
Unassigned Fund Balance	5,380,347	(0)	-	-	-	-	5,380,347
<b>TOTAL FUND BALANCE</b>	<u>7,858,964</u>	<u>(0)</u>	<u>10,171,761</u>	<u>9,108,831</u>	<u>712,654</u>	<u>7,111,410</u>	<u>34,963,620</u>
<b>TOT. LIAB. DEF. INFLOWS &amp; FUND BAL.</b>	<u>10,066,246</u>	<u>(0)</u>	<u>10,360,480</u>	<u>9,108,831</u>	<u>712,654</u>	<u>7,673,950</u>	<u>37,922,161</u>

**CITY OF INGLESIDE, TEXAS**  
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION  
 FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-2

**Total Fund Balances - Governmental Funds** \$ 34,963,620

Capital assets are used in governmental activities are not financial resources and therefore are not reported in governmental funds. The net effect of including these balances for capital assets (net of depreciation) in the governmental activities is to increase net position. At the beginning of the year, the costs of these assets were: \$ 35,641,263 and the accumulated depreciation was: \$ (14,443,643). In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase (decrease) net position -- (11,240,851).

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the governmental-wide financial statements. The net effect of including the 2020 capital outlays and debt principal payments is to increase/(decrease) net position. (5,405,639)

Included in the noncurrent assets/(liabilities) is the recognition of the City's net pension asset/(liability) required by GASB 68 in the amount of 336,923, and a Deferred Resource inflow in the amount of (407,565), and a deferred resource outflow in the amount of \$ 300,913. This resulted in an increase/(decrease) in net position by \$ 230,271. (14,516)

Included in the noncurrent assets/(liabilities) is the recognition of the City's net OPEB asset/(liability) required by GASB 75 in the amount of \$ (280,117), a deferred resource inflow in the amount of \$ (42,298), and a deferred outflow in the amount of \$ 77,628. This resulted in an increase/(decrease) in the net position by \$ (244,787).

The 2020 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position. (828,251)

Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing unavailable revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and the recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net position. 373,030

**Net position of Governmental Activities** \$ 39,045,013

The accompanying notes are an integral part of this statement.

CITY OF INGLESIDE, TEXAS  
STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-3

	General	Harvey Recovery Fund	General Capital Projects Fund	Houghton Capital Projects Fund	Rolling Stock & Major Equip. Reserve Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	10,363,019	-	-	-	-	3,495,777	13,858,797
Licenses and Permits	1,315,162	-	-	-	-	-	1,315,162
Intergovernmental	-	72,558	-	-	-	1,524	74,082
Charges for Services	1,225,497	-	-	-	-	-	1,225,497
Fines and Penalties	152,598	-	-	-	-	-	152,598
Interest	-	18,887	82,633	-	-	71,534	173,054
Other	305,247	190,796	-	-	-	115,299	611,342
<b>TOTAL REVENUES</b>	<u>13,361,523</u>	<u>282,242</u>	<u>82,633</u>	<u>-</u>	<u>-</u>	<u>3,684,134</u>	<u>17,410,531</u>
<b>EXPENDITURES</b>							
Current							
General Administration	5,396,273	-	-	-	-	-	5,396,273
Cultural and Recreational, Tourism/Adv./Training	824,152	-	-	-	-	232,585	1,056,737
Public Safety	3,286,760	-	342,277	-	-	1,943	3,630,979
Economic Development	-	-	13,258	-	-	75,583	88,841
Public Works	2,412,640	162,725	1,083,858	678,169	236,473	43,639	4,617,503
Debt Service							
Principal Retirement	-	-	-	-	-	1,280,000	1,280,000
Interest and Fiscal Charges	-	-	-	-	-	135,420	135,420
<b>TOTAL EXPENDITURES</b>	<u>11,919,825</u>	<u>162,725</u>	<u>1,439,393</u>	<u>678,169</u>	<u>236,473</u>	<u>1,769,169</u>	<u>16,205,754</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,441,697	119,516	(1,356,760)	(678,169)	(236,473)	1,914,965	1,204,777
OTHER FINANCING SOURCES (USES)							
Bond Proceeds/Tax Note	-	-	6,510,000	-	-	-	6,510,000
Transfers from Other Funds	3,551,332	168,240	1,968,905	9,787,000	528,726	1,091,253	17,095,455
Transfer to Other Funds	(5,925,548)	(2,543,546)	(4,160,000)	-	-	(1,324,644)	(13,953,738)
Bond Premiums	-	-	498,650	-	-	-	498,650
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>(2,374,216)</u>	<u>(2,375,306)</u>	<u>4,817,555</u>	<u>9,787,000</u>	<u>528,726</u>	<u>(233,391)</u>	<u>10,150,367</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(932,519)	(2,255,790)	3,460,795	9,108,831	292,253	1,681,574	11,355,144
FUND BALANCE (Deficit), beginning of year	8,791,483	2,255,790	6,710,966	-	420,401	5,429,835	23,608,476
Prior Period Adjustment	-	-	-	-	-	-	-
<b>FUND BALANCE, end of year</b>	<u>7,858,964</u>	<u>(0)</u>	<u>10,171,761</u>	<u>9,108,831</u>	<u>712,654</u>	<u>7,111,410</u>	<u>34,963,620</u>

**CITY OF INGLESIDE, TEXAS**

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT C-4

**Total Net Change in Fund Balances - Governmental Funds** \$ 11,355,144

Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, (5,547,305)  
but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide  
financial statements. The net effect of removing the 2020 capital outlays and debt principal payments is to increase  
outlays and debt principal payments is to increase net position.

The implementation of GASB 68 required that certain expenditures be de-expended and recorded as 950,402  
deferred resource outflows. These contributions made after the measurement date of 12/31/2019 caused the  
change in the ending net position to increase in the amount of \$ 287,705 . Contributions made  
before the measurement date but after the previous measurement date were reversed from deferred resource  
outflows and recorded as a current year expense. This caused a decrease in the change in net position  
totaling \$ (236,021) . The City's reported TMRS net pension expense had to be recorded. The net  
pension expense increase / (decreased) the change in net position by \$ 925,737 . The result  
of these changes is to increase / (decrease) the change in net position by \$ 977,421

The implementation of GASB 75 the requirements required that certain expenditures be de-expended and recorded as -  
deferred resource outflows. These contributions made after the measurement date of 12/31/2019 caused the  
change in the ending net position to increase in the amount of \$ 9,963 . Contributions made  
before the measurement date but after the previous measurement date were reversed from deferred resource  
outflows and recorded as a current year expense. This caused a decrease in the change in net position  
totaling \$ (7,545) . The City's reported TMRS net OPEB pension expense had to be recorded. The net  
OPEB pension expense increase / (decreased) the change in net position by \$ (29,437) . The result  
of these changes is to increase / (decrease) the change in net position by \$ (27,019)

Depreciation is not recognized as an expense in governmental funds since it does not require the use of current (828,251)  
financial resources. The net effect of the current year's depreciation is to decrease net position.

Various other reclassifications and eliminations are necessary to convert from the modified accrual 196,172  
basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue  
as revenue adjusting current year revenue to show the revenue earned from the current year's tax  
levy, eliminating interfund transactions, reclassifying the proceeds from bond sales, and recognizing  
the liabilities associated with maturing long-term debt and interest. The net effect of these  
reclassifications and recognitions as to increase net position.

**Change in Net Position of Governmental Activities** \$ 6,126,163

The accompanying notes are an integral part of this statement.

## CITY OF INGLESIDE, TEXAS

EXHIBIT C-5

## GENERAL FUND

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

## BUDGET (GAAP) AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2020 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2019

	2020			Variance With Final Budget Positive/Negative	2019
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Taxes	9,590,881	9,590,881	10,363,019	772,138	9,251,121
Licenses and Permits	455,650	455,650	1,315,162	859,512	603,973
Intergovernmental	-	-	-	-	-
Charges for Services	1,209,834	1,209,834	1,225,497	15,663	1,171,439
Fines and Penalties	150,000	150,000	152,598	2,598	145,312
Other	208,800	208,800	305,247	96,447	398,947
Total Revenues	11,615,165	11,615,165	13,361,523	1,746,358	11,570,791
EXPENDITURES					
Current					
General Administration	5,939,402	5,939,402	5,396,273	543,129	3,558,498
Public Safety	3,993,609	3,993,609	3,286,760	706,849	2,881,851
Public Works	2,473,259	2,473,259	2,412,640	60,619	1,522,634
Culture and Recreation	1,082,320	1,082,320	824,152	258,168	1,083,053
Total Expenditures	13,488,590	13,488,590	11,919,825	1,568,765	9,046,035
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,873,425)	(1,873,425)	1,441,697	3,315,122	2,524,756
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	3,531,332	3,531,332	3,551,332	20,000	1,132,720
Transfers (To) Other Funds	(5,663,090)	(5,663,090)	(5,925,548)	(262,458)	-
Transfers From (To) Other Funds	(2,131,758)	(2,131,758)	(2,374,216)	(242,458)	1,132,720
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	(4,005,183)	(4,005,183)	(932,519)	3,072,664	3,657,476
FUND BALANCE, beginning of year	8,791,483	8,791,483	8,791,483	-	5,134,007
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE, end of year	4,786,300	4,786,300	7,858,964	3,072,664	8,791,483

## CITY OF INGLESIDE, TEXAS

EXHIBIT C-6

## SPECIAL REVENUE FUND - HARVEY FUND

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

## BUDGET (GAAP) AND ACTUAL

YEAR ENDED SEPTEMBER 30, 2020 WITH COMPARATIVE ACTUAL AMOUNTS FOR 2019

	2020			Variance With Final Budget Positive/Negative	2019
	BUDGETED AMOUNTS		Actual		Actual
	Original	Final			
REVENUES					
Intergovernmental	3,856,209	3,856,209	72,558	(3,783,651)	473,171
Fines and Penalties	-	-	-	-	-
Other	567,446	567,446	209,683	(357,763)	1,620,651
Total Revenues	4,423,655	4,423,655	282,242	(4,141,413)	2,093,821
EXPENDITURES					
Current					
General Administration	-	-	-	-	-
Public Safety	-	-	-	-	-
Public Works	3,538,743	3,538,743	162,725	3,376,018	1,063,301
Culture and Recreation	-	-	-	-	-
Total Expenditures	3,538,743	3,538,743	162,725	3,376,018	1,063,301
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	884,912	884,912	119,516	(765,396)	1,030,520
OTHER FINANCING SOURCES (USES)					
Transfers From Other Funds	310,000	310,000	168,240	(141,760)	-
Transfers (To) Other Funds	0	0	(2,543,546)	(2,543,546)	-
Transfers From (To) Other Funds	310,000	310,000	(2,375,306)	(2,685,306)	310,000
EXCESS (DEFICIENCY) OF REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	1,194,912	1,194,912	(2,255,790)	(3,450,702)	1,030,520
FUND BALANCE, beginning of year	25,675	25,675	2,255,790	2,230,115	1,225,270
Prior Period Adjustment	-	-	-	-	-
FUND BALANCE, end of year	1,220,587	1,220,587	(0)	(1,220,587)	2,255,790

**CITY OF INGLESIDE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

EXHIBIT D-1

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
<b>ASSETS</b>	
Current Assets:	
Cash and Investments	7,108,872
Receivables and Allowances Accounts	
Water and Wastewater Billings	480,052
Assessments	9,449
Other	3,817
Allowance for Uncollectible Accounts	(200,547)
Due from Other Funds	-
Bond Issue Cost (Net)	-
Prepaid Items	84,496
Inventory	132,450
Total Current Assets	<hr/> 7,618,588 <hr/>
Non-Current Assets:	
Restricted Assets:	
Cash and Cash Equivalents	
Bond Projects	-
Meter Deposits	-
Revenue Bond Reserves/Sinking Fund	-
Total Non-Current Assets	<hr/> - <hr/>
Capital Assets	
Land	329,494
Construction in Progress	48,941
Buildings	475,079
Water System	10,081,090
Sewer System	20,747,733
Vehicles	1,804,011
Furniture and Equipment	328,948
Total Capital Assets	<hr/> 33,815,296 <hr/>
Less Accumulated Depreciation	(20,082,581)
Net Capital Assets	<hr/> 13,732,714 <hr/>
Total Assets	<hr/> 21,351,303 <hr/>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources	84,090
Deferred Outflows of Resources - OPEB	79,982
Total Deferred Outflows of Resources	<hr/> 164,072 <hr/>



**CITY OF INGLESIDE, TEXAS**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

EXHIBIT D-1  
continued

	Business-Type Activities Enterprise Fund <hr/> Utility Fund <hr/>
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	15,984
Accrued Liabilities	8,611
Compensated Absences	25,559
Due to Other Funds	-
Other Payables	-
Capital Leases Payable	-
Current Portion of Revenue Bonds Payable	400,000
Customer Meter Deposits	191,579
Total Current Liabilities	<u>641,733</u>
Liabilities (Payable from Restricted Assets):	
Long-Term Liabilities	
Revenue Bonds Payable	3,255,000
Net Pension Liability	-
Net Pension Liability - OPEB	282,156
Total Long-Term Liabilities	<u>3,537,156</u>
Total Liabilities	<u>4,178,889</u>
Deferred Inflows of Resources	
Deferred Amounts Related to Pensions	97,129
Deferred Amounts Related to Pensions - OPEB	45,055
Total Deferred Inflows of Resources	<u>142,184</u>
<b>NET POSITION</b>	
Invested in Capital Assets	10,077,714
Restricted for:	
Revenue Bond Retirement	-
Commitments	4,023,100
Unrestricted	3,093,488
Net Position	<u><u>17,194,303</u></u>

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

**CITY OF INGLESIDE, TEXAS**  
**STATEMENT OF REVENUES, EXPENSES AND**  
**CHANGES IN FUND NET POSITION**  
**PROPRIETARY FUNDS**  
**YEAR ENDED SEPTEMBER 30, 2020**

EXHIBIT D-2

	Business-Type Activities Enterprise Fund Utility Fund
<b>OPERATING REVENUES</b>	
Water Sales	2,686,652
Sewer Sales	1,672,194
Other Fees and Charges	1,389,554
Total Operating Revenues	<u>5,748,400</u>
<b>OPERATING EXPENSES</b>	
Personnel Costs	955,217
Contracted Services	189,992
Supplies	102,851
Maintenance	146,745
Self Insurance Claims & Administration	-
Other Operating Expenses	891,432
Water Purchased	1,144,540
Depreciation	883,780
Amortization	-
Total Operating Expenses	<u>4,314,556</u>
Net Operating Income	<u>1,433,843</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Sale of Assets	-
Refunding Bonds Issued	-
Payments to Escrow Agents	-
Impact Fees	344,652
Interest Income	66,765
Interest and Fiscal Charges	(514,967)
Net Non-Operating Revenues (Expenses)	<u>(103,550)</u>
Income Before Transfers	<u>1,330,293</u>
Transfers in	462,641
Transfers (out)	(3,604,358)
Total Transfers in (out)	<u>(3,141,717)</u>
Change in Net Position	<u>(1,811,424)</u>
Prior Period Adjustment	<u>-</u>
NET POSITION - BEGINNING OF YEAR	<u>19,005,726</u>
NET POSITION - END OF YEAR	<u><u>17,194,303</u></u>

CITY OF INGLESIDE, TEXAS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT D-3

	Business-Type Activities Enterprise Fund Utility Fund
	<u>        </u>
Cash flow from operating activities:	
Cash received from customers	5,900,586
Cash received from other funds for services	-
Cash payments to suppliers for goods and services	(2,801,203)
Cash payments to employees for services	(956,447)
Other adjustments	-
Net cash provided by operating activities	<u>2,142,936</u>
Cash flows from noncapital financing activities:	
Transfers to other funds	<u>(3,141,717)</u>
Cash Flows from Capital and Related Financing Activities:	
Net Refunds bonds/costs	(246,035)
Grant Proceeds	344,652
Principal Payment on bonds	2,320,000
Interest and Fiscal Charges Paid	(514,967)
Purchase of Capital Assets	(4,813)
Prior period adjustment	-
Net Cash (Used) Generated for Capital and Related Financing Activities	<u>1,898,837</u>
Cash Flows from Investing Activities- Interest Income	<u>66,765</u>
Net Increase (Decrease) in Cash and Cash Equivalents	966,821
Cash and Cash Equivalents at Beginning of Year	6,142,051
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u><u>7,108,872</u></u>
Reconciliation of Operating Income to Net Cash	
Operating Activities	
Operating Income	1,433,843
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities:	
Depreciation	883,780
Amortization	-
Change in Assets and Liabilities:	
(Increase) Decrease in Accounts Receivable (Net)	30,333
(Increase) Decrease in Due from Other Funds	-
(Increase) Decrease in Due from Other Governments	-
(Increase) Decrease in Prepaid Items	(84,496)
(Increase) Decrease in Inventory	30,306
Increase (Decrease) in Accounts Payable	(400,877)
Increase (Decrease) in Accrued Liabilities	162,341
Increase (Decrease) in Due to Other Funds	-
Increase (Decrease) in Capital Leases Payable	84,496
Increase (Decrease) in Compensated Absences	(1,230)
Increase (Decrease) in Customer Deposits	4,440
Net Cash Provided by Operating Activities	<u><u>2,142,936</u></u>



## **NOTES TO FINANCIAL STATEMENTS**

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**I SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Reporting Entity**

The City of Ingleside, Texas, (the “City”) was incorporated on June 18, 1951 under the provisions of the laws for the State of Texas. The City operates under a charter with a Council-Manager type of government where the Mayor and six Council members are elected on a rotating schedule. Prior to 2010, members were elected at large, after 2010 members are elected under a place format. The City provides the following services: public safety (police and fire), highways and streets, sanitation, waterworks, cultural and recreation, public improvements, planning and zoning, and general and administrative services. In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered financially accountable. Blended component units, although legally separate entities are, in substance, part of the City operations and so data from these units are combined with data from the City. If applicable, discretely presented units are reported in a separate column in the combined financial statements to emphasize they are legally separate from the City.

**Blended Component Units**

The City of Ingleside Development Corporation (the Corporation) was formed to promote economic development within the City and to administer the distribution of the proceeds of any development bonds issued and certain development sales taxes received on behalf of the City. The City Council appoints a seven-member board of directors of which four may be council members. The operational and capital budget must be approved by the City Council. Due to the financial interdependency of the Corporation, it is a blended component unit reported as a special revenue fund. The Corporation does not issue separate financial statements. Additional financial information can be obtained at City Hall.

**Discretely Presented Component Unit**

There are no component units, which require discrete presentation

**Related and Jointly Governed Organizations**

Organizations that are administered by separate boards or commissions provide services within the City. However, the City is not financially accountable for these organizations. Therefore, they are not component units of the City, even if the City Council could appoint a voting majority of the organizations’ board. Consequently, financial information for the Coastal Bend Council of Governments and in the Ingleside Chamber of Commerce is not included in these financial statements.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

The City complies with Generally Accepted Accounting Principles (GAAP). The City's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. Enterprise funds apply Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails.

**B. Government-wide and fund financial statements**

The government-wide financial statements (the statement of Net Position and the statement of activities) report information on all of the activities of the City. The effect of inter-fund activity, within the governmental and business-type activities columns, has been removed from these statements. However, any inter-fund services provided and used are not eliminated in the process of consolidation. 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 program. 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 the operational or capital requirements of a particular program. Taxes and other items not properly included among program revenues are reported instead as general revenues.

GASB 63, 68 and 75 – Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources are the consumption of net assets by the government that is applicable to a future reporting period and deferred inflows of resources are the acquisition of net assets by the government that is applicable to a future reporting period. Deferred outflows of resources and deferred inflows of resources are incorporated into the definitions of the required components of the residual measure and that measure is renamed as net position, rather than net assets. The City is reflecting the applicable deferred outflows or inflows as required, net assets have been renamed as net position. Pension liabilities have been included to comply with the GASB 68 and 75.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Fund Financial Statements:

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balances of current financial resources. The City has presented the following major governmental funds:

General Fund-

The General Fund is the main operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. 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.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Position. The City has presented the following major proprietary funds:

Utility Fund-

The Utility 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 finance through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

The City reports the following fund types:

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for the proprietary funds include the cost of personal and contractual services, supplies and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.



**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of Net Position and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers revenue as available if they are collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, debt services expenditures, except for interest payable accrued at the debt issuance date for which cash is received with the debt proceeds, as well as expenditures related to compensated absences are recorded only when payment has matured and will be payable shortly after year-end.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year-end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received, as they are deemed immaterial.

D. Encumbrances/Commitments

Encumbrances represent commitments related to unperformed contracts for goods and services. There are no significant encumbrances outstanding at September 30, 2020 which are not reflected.

Committed Fund Balances – Obligations of a fund for a future period(s) have been shown as a commitment of Fund Balance.

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

E. Cash and Investments

The City can legally invest in certificates of deposit, obligations of the U.S. Government and its Agencies or instrumentalities, State obligations, local government investment pools and certain money market funds.

The City has implemented GASB Statement 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools." As a governmental entity other than an external investment pool, in accordance with GASB 31 the City's investments are stated at market value, except for money market investments with remaining maturity of one year or less when purchased and nonparticipating interest earning investment contracts.

For purposes of the statement of cash flows, the enterprise funds consider cash on hand, demand deposits, and short-term investments with original maturities of three months or less when purchased to be cash and cash equivalents.

F. Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

G. Inventories

Inventories in the Proprietary Funds are valued at cost, which approximates market, using the first in/first out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

H. Inter-fund Receivables and Payables

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

I. Transactions Between Funds

Legally authorized transfers are treated as inter-fund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

**CITY OF INGLESIDE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**J. Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure assets, 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 cost is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest has been capitalized during the construction period on capital assets. Assets capitalized have an original cost of \$5,000 or more and over three years of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives are as follows:

Buildings	10-50 Years
Water and Sewer System	20-50 Years
Infrastructure	20-30 Years
Machinery and Equipment	5-10 Years
Improvements	10-20 Years
Vehicles	5-10 Years

**K. Compensated Absences**

In proprietary fund types, accumulated unpaid compensated absences are accrued when incurred. The accruals are reported as liabilities and expenses for the year incurred. The liability in the governmental fund types is recorded only in the Government-wide Financial Statements. The amount expected to be paid from current resources is not considered to be significant. The City allows employees to accumulate up to a maximum of 960 hours of sick leave. However, sick days do not vest, and accordingly, employees can be paid sick leave only when sick. Since an employee's right to receive compensation for future absences is contingent upon the absences being caused by future illnesses and since amounts cannot be reasonably estimated, a liability for unused sick leave is not recorded in the financial statements. Up to 15 days of accumulated earned vacation will be paid to an employee upon termination.

**L. Net Position and Fund Equity, Commitments**

In the government-wide financial statements and proprietary funds financial statements, Net Position are reported in three categories: Net Position invested in capital assets, net of related debt; restricted Net Position; and unrestricted Net Position. Net Position invested in capital assets, net of related debt represents capital assets less accumulated depreciation less outstanding principal of related debt.

Committed Fund Equity/Net Position – Obligations of fund equity/Net Position for a future period(s) have been shown as a commitment of Fund Equity/Net Position.

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

M. Use of Estimates

The preparation of basic financial statements in conformance with GAAP requires management to make estimates and assumptions that affect the amount reported in the basic financial statements and accompanying notes. Actual results may differ from those estimates.

**II Reconciliation of Government-wide and fund financial statements**

**A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of Net Position.**

Exhibit C-2 provides the reconciliation between the fund balance for total governmental funds on the governmental fund balance sheet and the Net Position for governmental activities as reported in the government-wide statement of Net Position. One element of that reconciliation explains that capital assets are not financial resources and are therefore not reported in governmental funds. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period and are not reported as liabilities in the funds. The details of capital assets and long-term debt at the beginning of the year were as follows:

Capital Assets at the Beginning of the year	Historic Cost	Accumulated Depreciation	Net Value at the Beginning of the Year	Change in Net Position
Land	\$ 3,836,406	\$ -	\$ 3,836,406	
Buildings	9,848,259	(2,705,945)	7,142,314	
Furniture & Fixtures	2,652,313	(574,829)	2,077,484	
Machinery & Equipment	7,629,513	(5,255,612)	2,373,901	
Construction in Progress	-	-	-	
Infrastructure	11,674,772	(5,907,257)	5,767,515	
Change in Net Position	<u>\$ 35,641,263</u>	<u>\$ (14,443,643)</u>		<u>\$ 21,197,620</u>
Long-term Liabilities at the Beginning of the year				
Bonds and Loans Payable	\$ 11,150,000			
Comp. Absences & Other	<u>90,851</u>			
Change in Net Position	<u>11,240,851</u>			<u>\$ (11,240,851)</u>
 Net Adjustment to Net Position				 <u><u>\$ 9,956,769</u></u>

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

Exhibit C-4 provides the reconciliation between the net changes in fund balance as shown on the governmental fund statement of revenues, expenditures, and changes in fund balances and the changes in Net Position of governmental activities as reported on the government-wide statement of activities. One element of that reconciliation explains that current year capital outlays and debt principal payments are expenditures in the fund financial statements, but should be shown as increases in capital assets and decreases in long-term debt in the government-wide statements. This adjustment affects both the net asset balance and the change in Net Position. The details of this adjustment are as follows:

	<u>Amount</u>	<u>Adjustments to Changes in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Current Year Capital Outlay</u>			
Land	\$ -	\$ -	\$ -
Buildings & Improvements	29,043	29,043	29,043
Furniture & Equipment	155,745	155,745	155,745
Infrastructure	368,494	368,494	368,494
Construction in Process	-	-	-
Total Capital Outlay	<u>\$ 553,282</u>	<u>\$ 553,282</u>	<u>\$ 553,282</u>
<u>Debt Principal Payments</u>			
Bond Principal - net	(6,382,000)	(6,382,000)	(6,382,000)
Loan Principal	-	-	-
Capital Lease Payments	-	-	-
Other	281,413	281,413	281,413
Total Principal Payments	<u>(6,100,587)</u>	<u>(6,100,587)</u>	<u>(6,100,587)</u>
Total Adjustment to Net Position	<u>\$ (5,547,305)</u>	<u>\$ (5,547,305)</u>	<u>\$ (5,547,305)</u>

Another element of the reconciliation on Exhibit C-4 is described as various other reclassifications and eliminations necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. This adjustment is the result of several items. The details for this element are as follows:

	<u>Amount</u>	<u>Adjustments to Change in Net Position</u>	<u>Adjustments to Net Position</u>
<u>Adjustments to Revenue and Unearned Revenue</u>			
Taxes Collected from Prior Year Levies	\$ 441,012	\$ 441,012	\$ 441,012
Uncollected taxes(assumed collectible) from Current Year Levy	(361,630)	(361,630)	(361,630)
Uncollected Taxes (assumed collectible) from Prior Year Levy	-	-	-
Other	-	-	-
Total	<u>\$ 79,382</u>	<u>\$ 79,382</u>	<u>\$ 79,382</u>

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**III Stewardship, Compliance and Accountability**

**1 CASH AND INVESTMENTS**

Legal and Contractual Provisions Governing Deposits and Investments

The Public Funds Investment Act (Texas Government Code Charter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the City to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities (9) and bid solicitation preferences for certificates of deposit. Statutes authorize the City to invest in (1) obligations of the U.S. Treasury, certain U.S. Agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds. The Act also requires the City to have independent auditors perform test procedures related to investment practices as provided by the Act. The City is in substantial Compliance with the requirements of the Act and with local policies.

**A. Cash Deposits**

At September 30, 2020, the carrying amount of the City's deposits (cash investments, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$43,675,712 and the bank balance was \$52,880,187. The City's cash deposits at September 30, 2020 and during the period ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**B. Investments**

**Credit Risk**

The primary stated objective of the City of Ingleside's Council adopted Investment Policy is the safety of principal and avoidance of principal loss. Credit risk within the City's portfolio among the authorized investments approved by the City's adopted Investment Policy is represented only in time and demand deposits, commercial paper, banker's acceptances, municipals, repurchase agreements, and money market mutual funds. All other investments are rated AAA, or equivalent, by at least one nationally recognized rating agency. Investments are made in obligations of the US Government, its agencies or instrumentalities. State law and the City's adopted Investment Policy require inclusion of a procedure to monitor and act as necessary to changes in credit rating on any investment which requires a rating.

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State law and the City of Ingleside's Council adopted Investment Policy restricts both time and demand deposits, including certificates of deposit (CD), to those banks doing business in the State of Texas and further requires full insurance and/or collateralized from these depositories (banks and credit unions). Collateral, with a 102% margin, is required and collateral is limited to obligations of the US Government, its agencies or instrumentalities and municipal obligations rated no less than A or equivalent by two nationally recognized rating agencies (NRSRO). Independent safekeeping is required outside the pledging bank's holding company with monthly reporting. Securities are monitored and priced at market on a daily basis as a contractual responsibility of the bank.

By policy and state law GICs and repurchase agreements are limited to those with defined termination dates executed with a Texas bank or a primary dealer (as defined by the Federal Reserve). The agreements require an industry standard, written master repurchase agreement and a minimum 102% margin on collateral as well as delivery versus payment settlement and independent safekeeping. Repurchase agreements may not exceed 90 days to stated maturity.

By policy and state law commercial paper must be rated A1/P1 or equivalent by two NRSROs. Bankers' acceptances must have an issuer with an A1/P1 rating and be eligible for collateral at the Federal Reserve. Brokered certificate of deposit securities must be fully FDIC insured.

Local government investment pools in Texas are required to be rated AAA, or equivalent, by at least one NRSRO.

As of September 30, 2020,

- investment in the State Treasurer's AAA-rated, 2a-7 like, local government investment pool represented 47.23% of the total portfolio,
- fully collateralized or FDIC insured bank demand deposits represented 26.91% of the total portfolio,
- US Government Treasury securities represented 12.38% of the total portfolio, and
- US Government agency securities represented 6.55% of the total portfolio.

**Concentration of Credit Risk**

The City of Ingleside recognizes over-concentration of assets by market sector or maturity as a risk to the portfolio. The City's adopted Investment Policy establishes diversification as a major objective of the investment program.

As of September 30, 2020, the City was well within the diversification objectives of the policy.

A segmented time distribution Report is provided below.

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Interest Rate Risk**

In order to limit interest and market rate risk from changes in interest rates, the City's Council adopted Investment Policy sets a maximum stated maturity date of three years. The Policy establishes a maximum weighted average maturity (WAM) of one year for the total portfolio.

A segmented time distribution analysis of the portfolio by market sector is shown as Exhibit A.

As of September 30, 2020, the portfolio contained:

- no holding in the portfolio had a stated maturity date beyond 3/1/2021 (151 days), and
- the dollar weighted average of the total portfolio was 151 days.

As of September 30, 2020, the portfolio contained one structured, quarterly callable notes with a fair market value of \$4,979,181.

**Custodial Credit Risk**

To control custody and safekeeping risk, state law and the City's adopted Investment Policy requires collateral for all time and demand deposits, as well as collateral for repurchase agreements, be transferred delivery versus payment and held by an independent party approved by the City and held in the City's name. The custodian is required to provide original safekeeping receipts and monthly reporting of positions with position descriptions including market value. Depository agreements are executed under the terms of FIRREA1. The counter-party of each type transaction is held contractually responsible for monitoring and maintaining the required collateral margins on a daily basis.

Repurchase agreements, GICs, and deposits must be collateralized to 102% and be executed under written agreements with independent safekeeping.

As of September 30, 2020:

- all time and demand depository accounts were fully insured or collateralized to policy requirements,
- the portfolio contained no repurchase agreements, and
- all pledged bank collateral for demand deposits was held by an independent institution outside the bank's holding company.

GASB Statement 72 regarding Fair Value Measurement and Application for financial reporting purposes categorizes financial instruments within three different levels of risk dependent upon the measure of their fair value and pricing.

Because the investments are restricted by Policy and state law to active secondary market, the market approach is being used for valuation. The market approach uses prices and other relevant information generated by market transactions involving identical or comparable assets, liabilities, or a group of assets and liabilities.



**CITY OF INGLESIDE, TEXAS  
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The exit or fair market prices used for these fair market valuations of the portfolio are all Level 1 and represent unadjusted quoted prices in active markets for identical assets and liabilities that have been accessed at the measurement date.

For GASB Statement 72, as of September 30, 2020, the City had the following investments and the securities to be priced in the portfolio were:

	Level 1	Level 2	Level 3	Total
U.S. Treasury Securities	\$2,791,645	0	0	\$2,791,645
U.S. Gov't Agencies	\$16,268,800	0	0	\$16,268,800
Commercial Paper	\$0	\$4,979,180	0	\$4,979,180
<b>Total Fair Value</b>	<b>\$19,060,445</b>	<b>\$4,979,180</b>	<b>0</b>	<b>\$24,039,625</b>

Listing of Structured Notes with Interest Rate Risk – GASB 40 Reporting

Security	Par	Coupon	Purchase Date	Maturity Date	Structure	Book Val.	Market Val.
FHLB	0	2.836%	04/6/20	11/5/2020	Call Qtr 5 days	2,493,316	2,493,316
FHLB	0	3.048%	4/6/20	12/9/2020	“	2,485,865	2,485,865
FHLB	0	1.33%	4/7/2020	3/1/21	“	2,791,645	2,805,165
	<u>0</u>			Total		7,770,826	7,784,346

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2. CAPITAL ASSETS

Capital assets activity for the year ended September 30, 2020, was as follows: (Pages 58 and 59)

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets, not being depreciated:				
Land	\$ 3,836,406	\$ -	\$ -	\$ 3,836,406
Construction in Progress	-	-	-	-
Total Capital assets, not being depreciated	<u>3,836,406</u>	<u>-</u>	<u>-</u>	<u>3,836,406</u>
Capital Asset being depreciated:				
Buildings and improvements	9,848,259	29,043	-	9,877,302
Machinery and equipment	7,629,513	368,494	-	7,998,007
Furniture and fixtures	2,652,313	155,745	-	2,808,058
Infrastructure	11,674,772	-	-	11,674,772
Total capital assets, being depreciated	<u>31,804,857</u>	<u>553,282</u>	<u>-</u>	<u>32,358,139</u>
Less accumulated depreciation for:				
Buildings and improvements	(2,705,945)	(231,056)	-	(2,937,001)
Machinery and equipment	(5,255,612)	(406,271)	-	(5,661,883)
Furniture and fixtures	(574,829)	(71,094)	-	(645,923)
Infrastructure	(5,907,257)	(119,830)	-	(6,027,087)
Total accumulated depreciation	<u>(14,443,643)</u>	<u>(828,251)</u>	<u>-</u>	<u>(15,271,894)</u>
Total capital assets being depreciated, net	<u>17,361,214</u>	<u>(274,969)</u>	<u>-</u>	<u>17,086,245</u>
Governmental activities capital assets, net	<u>\$ 21,197,620</u>	<u>\$ (274,969)</u>	<u>\$ -</u>	<u>\$ 20,922,651</u>
Business-type Activities				
Capital Assets, not being depreciated				
Land	\$ 329,494	\$ -	\$ -	\$ 329,494
Construction in progress	52,987	-	4,047	48,940
Total capital assets, not being depreciated	<u>382,481</u>	<u>-</u>	<u>4,047</u>	<u>378,434</u>
Capital Assets, being depreciated				
Buildings	475,079	-	-	475,079
Water systems	10,081,090	-	-	10,081,090
Sewer systems	20,747,733	-	-	20,747,733
Vehicles	1,795,151	8,860	-	1,804,011
Furniture and equipment	328,949	-	-	328,949
Total capital assets, being depreciated	<u>33,428,002</u>	<u>8,860</u>	<u>-</u>	<u>33,436,862</u>
Less accumulated depreciation for:				
Buildings	(441,468)	(5,938)	3,435	(450,841)
Water systems	(5,302,132)	(217,088)	-	(5,519,220)
Sewer systems	(12,034,599)	(540,426)	(5,228)	(12,569,797)
Vehicles	(411,578)	(11,818)	(43,689)	(379,707)
Furniture and equipment	(1,038,956)	(108,510)	15,551	(1,163,017)
Total accumulated depreciation	<u>(19,228,733)</u>	<u>(883,780)</u>	<u>(29,931)</u>	<u>(20,082,582)</u>
Total capital assets, being depreciated, net	<u>14,199,269</u>	<u>(874,920)</u>	<u>(29,931)</u>	<u>13,354,280</u>
Business-type activities capital assets, net	<u>\$ 14,581,750</u>	<u>\$ (874,920)</u>	<u>\$ (25,884)</u>	<u>\$ 13,732,714</u>

Adjustments have been made for the beginning balances for corrections, grouping.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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Depreciation expense was charged as direct expense to programs of the primary government as follows:

Governmental activities:	
General government and administration	\$ 21,140
Cultural and recreational	145,370
Public Safety	414,065
Public Works	123,838
Streets-Infrastructure	<u>123,838</u>
Total depreciation expense-Governmental activities	<u><u>\$ 828,251</u></u>
Business-type activities:	
Water	\$ 280,222
Sewer	<u>603,558</u>
Total depreciation expense-Business-type activities	<u><u>\$ 883,780</u></u>

3. LONG-TERM DEBT

At September 30, 2020 bonds payable consisted of the following individual issues:

	<u>Governmental</u>	<u>Business-type</u>
2015 Certificate of Obligations, Series 2015, due in annual installments through February 1, 2035, bearing interest rate of 1.690%. (Original Debt \$7,000,000) - See Note 1 below	\$ 5,975,000	-
2012 General Obligation Refunding Bonds, Series 2012, due in annual installments through February 1, 2022, bearing interest rate of 1.890%. (Original Debt \$1,500,000) - See Note 1 below	-	370,000
	-	-
2011 Utility System Certificate of Obligations, due in annual Installments through February 1, 2024, bearing interest Rate of 3.12% (Original debt \$1,350,000)	-	<u>490,000</u>
2020 Certificate of Obligation, Series 2020, due in annual installments through 9/30/2040, bearing interest rate of 2.00-5.00%. (Original debt \$6,510,000)	6,510,000	
Sub - Total Bonds Payable	<u>\$ 12,485,000</u>	<u>\$ 860,000</u>

Continued-

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

2013 Tax Note – General Fund, Series 2013, due in annual installments through February 1, 2020, bearing interest rate of 1.68%. (Original Debt \$565,000) - See Note 1 below	-	-
2015 Tax Note- General Fund, Series 2015, due in annual installments through February 1, 2022, bearing interest reate of 1.690%, (Original Debt \$780,000)	250,000	
Combination Tax and Subordinate Lien Revenues Certificates of Obligation - Series 2020, due in annual installments through February 1, 2021, bearing interest rate of .07% to .53%. (Original Debt \$2,795,000)	-	2,795,000
	-	-
	-	-
2018 Tax Note - General Fund, Series 2018, due in annual installments through February 1, 2019, bearing interest rate of 2.59%. (Original Debt \$1,535,000) - See Note 1 below	\$ 1,230,000	
2019 Tax Note-Series 2019, due in annual installments through 2026, bearing interest rates of 1.530%. (Original Debt \$2,800,000)	-	
	<u>\$ 2,415,000</u>	<u>2,795,000</u>
Total Notes and EDC GO Bonds	<u>3,895,000</u>	<u>2,795,000</u>
Total Bonds, Notes and EDC GO Bonds	<u>16,380,000</u>	<u>3,655,000</u>

**LONG-TERM LIABILITIES**

The following is a summary of changes in long-term liabilities reported in the government-wide financial statements for the year ended September 30, 2020:

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
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The annual requirements for bonds for years subsequent to September 30, 2020, are as follows:

Year Ending September 30	Governmental Activities General/Certificate Obligations			Business-type Activities Revenue Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	1,500,000	407,575	1,907,575	400,000	24,743	424,743
2022	1,280,000	395,617	1,675,617	385,000	17,581	402,581
2023	1,185,000	364,850	1,549,850	215,000	12,106	227,106
2024	1,225,000	333,243	1,558,243	220,000	8,128	228,128
2025	1,265,000	299,592	1,564,592	90,000	6,100	96,100
Thereafter	9,925,000	1,653,785	11,578,785	2,345,000	110,605	2,455,605
<b>Totals</b>	<b>\$ 16,380,000</b>	<b>\$ 3,454,662</b>	<b>\$ 19,834,662</b>	<b>\$ 3,655,000</b>	<b>\$ 179,263</b>	<b>\$ 3,834,263</b>

**RESTRICTED CASH AND INVESTMENTS- UTILITY FUND**

**Revenue Bonds-**

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on the pledge of the net revenues of the water and sewer system.

The Revenue Bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds. Remaining revenues may then be used for any lawful purpose. The ordinances also contain provisions which, among other items, restrict the issuance of additional Revenue Bonds unless the special funds noted above contain the required amounts. Management of the City believes that it is in compliance with all significant financial requirements as of September 30, 2020.

The City is fully funded in the Bond Reserve Fund and is in compliance with its bond ordinance.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Defeased Bonds Outstanding-

On July 11, 2007, the city issued Refunding Bonds, Series 2007 in the amount of \$1,670,000 to provide resources to purchase U.S. Government State and Local Series Securities that were placed in an irrevocable trust for the purpose of generating resources for portions of future debt service payments of certificate of obligation Series 2000. As a result, the bonds are considered to be defeased and the liability has been removed from the governmental and business type activities columns of the statement of Net Position.

In the fiscal year 2013, the City Refunded several bonds, Texas Waterworks and Sewer System Revenue Bonds, Series 2002 in the principal amount of \$1,460,000, redeemed February 1, 2013, Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 1997, in the amount of \$791,000 to be redeemed on October 16, 2012, Series 1997-A, in the aggregate principal amount of \$390,000 redeemed on October 16, 2012, Series 2002 in the aggregate principal amount of \$400,000 redeemed on October 16, 2012.

**CAPITAL LEASES**

The City did not have any material or significant capital leases during the fiscal year.

Fiscal Year Ended September 30, 2020	Business-type Activities
Total	\$ -
Less amount representing interest	-
	-
Present value of future lease payments	-
	-

**4. COMMITMENTS UNDER NONCAPITALIZED LEASES**

Operating Leases:

The City leases equipment. Most of the leases are cancelable.

Minimum lease commitments for the next five years are immaterial.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

5. INTERFUND TRANSACTIONS AND BALANCES

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

	Due From Other Funds	Due To Other Funds
General Fund:		
Special Revenue Fund	\$ -	\$ -
Debt Service Fund	-	-
Capital Projects Fund	-	-
Enterprise Funds	-	-
Internal Service Fund	-	-
Total General Fund	-	-
Special Revenue Fund		
General Fund	-	-
Special Revenue Funds	-	-
Total Special Revenue Fund	-	-
Capital Projects Fund		
General Fund	-	-
Special Revenue Fund	-	-
Total Capital Projects Fund	-	-
Debt Service Fund		
General Fund	-	-
Enterprise Funds	-	-
Total Debt Service Fund	-	-
Enterprise Funds		
General Fund	-	-
Debt Service Fund	-	-
Enterprise Funds	-	-
Total Enterprise Funds	-	-
 TOTAL	 \$ -	 \$ -

The interfund balances at September 30, 2020 are generally short-term loans to cover temporary cash flows and reimbursements for various funds. During the fiscal year, management implemented a pooled cash structure and thereby eliminated direct interfund balances.

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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Interfund transfers during the year ended September 30, 2020 were as follows:

Transfer In	General	Debt	Special	Utility	Total
	Fund	Service Fund	Revenue Funds	Fund	
Utility Fund	\$ 1,379,108	\$ -	\$ -	\$ 133,997	\$ 1,513,105
General Fund	-	-	168,240	328,644	496,884
Special Revenue Fund	2,172,224	-	13,375,883	-	15,548,107
Debt Service Fund	-	-	-	-	-
<b>Total</b>	<b>3,551,332</b>	<b>-</b>	<b>13,544,123</b>	<b>462,641</b>	<b>17,558,096</b>
Less Transfers	(5,925,548)	(328,644)	(7,699,546)	(3,604,358)	(17,558,096)
<b>Net Transfers</b>	<b>\$ (2,374,216)</b>	<b>\$ (328,644)</b>	<b>\$ 5,844,577</b>	<b>\$ (3,141,717)</b>	<b>\$ -</b>

The Utility Fund transfers to the General Fund were for an allocated amount for administrative service charges, payments in lieu of taxes and the transfer from the Debt Service Fund to the Utility Fund for payments related to the Series 2007, Series 2011 and Series 2012 Combination Revenue Bonds.

**6. DISAGGRAGATION OF RECEIVABLES AND PAYABLES**

Receivables at September 30, 2020, were as follows:

	Property	Other	Due From	Other	Total
	Taxes - Net	Governments	Other Funds		
<b>Governmental Activities:</b>					
General Fund - net	\$ 60,671	\$ 712,009	\$ -	\$ -	\$ 772,680
Major Governmental Funds	-	-	-	-	-
Non-major Governmental Funds	18,711	434,693	-	-	453,404
<b>Total - Governmental Activities</b>	<b>\$ 79,382</b>	<b>\$ 1,146,702</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,226,084</b>

Payables at September 30, 2020, were as follows:

	Accounts	Loans, Leases	Salaries	Due to	Due to	Other	Total
		and Bonds Payable- Current Year	and Benefits	Other Funds	Other Governments		
<b>Governmental Activities:</b>							
General Fund	\$ 57,678	\$ 1,500,000	\$ -	\$ -	\$ -	\$ 21,301	\$ 1,578,979
Major Governmental Fund	188,720	-	-	-	-	-	188,720
Non-major Governmental Funds	118,069	-	-	-	-	-	118,069
<b>Total - Governmental Activities</b>	<b>\$ 364,467</b>	<b>\$ 1,500,000</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 21,301</b>	<b>\$ 1,885,768</b>



**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

7. PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are levied on October 1 based on 100% of appraised value of property as listed on the previous January 1. Appraised values are determined by the San Patricio County Appraisal District; approved by the San Patricio County Appraisal Review Board; and certified by the Chief Appraiser. Property taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1<sup>st</sup> of the year following the year in which imposed. The city does not offer a discount or early payment of taxes. The City's taxes are billed and collected by the San Patricio County Tax Office. Ad valorem taxes of \$8,279,288 were assessed on property values totaling \$1,212,978,304 using a tax rate of \$.66442 (\$.50811 for general operations and \$.15631 for debt service) per \$100 assessed value. The 2019 tax rate is utilized for the 2019-2020 fiscal year.

8. PENSIONS

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

**Defined Benefit Pension Plans**

**A. Plan Description**

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

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

**CITY OF INGLESIDE, TEXAS  
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FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**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.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TMRS, P.O. Box 149153, Austin, TX 78714-9153 or by calling 800-924-8677; in addition, the report is available on TMRS’ website at [www.TMRS.com](http://www.TMRS.com).

***Employees covered by benefit terms.***

At the December 31, 2018 and 2019 valuation and measurement date, the following employees were covered by the benefit terms:

	2018	2019
Inactive employees or beneficiaries currently receiving benefits	44	47
Inactive employees entitled to but not yet receiving benefits	72	77
Active employees	<u>78</u>	<u>89</u>
Total	<u>194</u>	<u>213</u>

**C. Contributions – GASB 68**

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

Employees for the City of Ingleside, Texas, were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Ingleside, Texas, were 10.19%, 11.37% and 9.18% (includes the .32 supplemental death benefit) in fiscal years 2018, 2019 and 2020, respectively. The city’s contributions to TMRS for the year ended September 30, 2020 were \$407,491, in September 30, 2019 the contributions were \$347,133, and were equal to the required contributions.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**D. Net Pension Liability**

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

***Actuarial assumptions:***

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

Inflation	2.5% per year
Overall payroll growth	3.50 to 11.5% average over career including inflation.
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2015, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period January 1, 2010 through December 31, 2014, first used in the December 31, 2015 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. No additional changes were made for the 2014 valuation.

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

***Discount Rate***

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

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<i>Changes in the Net Pension Liability</i>	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	\$ 11,524,235	\$ 10,094,888	\$ 1,429,347
Changes for the year:			
Service cost	433,235	-	433,235
Interest	776,183	-	776,183
Changes of Benefit Terms	-	-	-
Difference between Expected and Actual Experience	32,532	-	32,532
Changes in Assumptions	45,854	-	45,854
Contributions – Employer	-	1,354,817	(1,354,817)
Contributions – Employee	-	178,185	(178,185)
Net Investment Income	-	1,560,604	(1,560,604)
Benefit Payments, Including Refunds of Employee Contributions	(483,688)	(483,688)	-
Administrative Expense	-	(8,818)	8,818
Other Changes	-	(265)	265
Net Changes	\$ 804,116	\$ 2,600,836	\$ (1,796,720)
<b>Balance at 12/31/2019</b>	<b>\$ 12,328,351</b>	<b>\$ 12,695,724</b>	<b>\$ (367,373)</b>

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$1,262,162	\$(367,373)	\$(1,709,194)

***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](http://www.tmrs.com).

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

For the year ended, the City of Ingleside, Texas, recognized pension expense of \$345,419.

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$21,541	\$43,302
Changes in actuarial assumptions	\$30,363	\$0
Difference between projected and actual investment earnings	\$0	\$375,996
Contributions subsequent to the measurement date	\$313,706	\$0
Total	\$365,610	\$422,298

\$313,706 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2020	\$(122,486)
2021	\$(86,907)
2022	\$14,838
2023	\$(175,839)
2024	\$0
Thereafter	\$0

**Other Post-Employment Benefits (OPEB) – GASB 75**

The total OPEB liability of the Texas Municipal Retirement System (the “TMRS”) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

**CITY OF INGLESIDE, TEXAS  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2020**

*Employees covered by benefit terms.*

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

	2019
Inactive employees or beneficiaries currently receiving benefits	30
Inactive employees entitled to but not yet receiving benefits	16
Active employees	<u>89</u>
Total	<u>135</u>

**OPEB - Supplemental death benefits plan  
 Plan Description**

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

**Benefits Provided**

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered another employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

**Contributions**

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

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Employees of the City were required to contribute 0.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.32% and 0.31% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 31, 2020 were \$13,806 and were equal to the required contributions.

**Total OPEB Liability**

Actuarial assumptions. The actuarial assumptions used in the calculation of the funding valuation for the Supplemental Death Benefits Fund (SDBF) are based on the Mortality Experience Investigation Study covering 2010 through 2014, and dated December 31, 2014. These assumptions were first used in the December 31, 2019 valuation. For purposes of developing the SDBF contribution rates, no other demographic assumptions are applicable.

**I. Assumptions**

- A. Mortality Rates — Same as for the Pension Trust Fund.
- B. Investment Return — A statutory interest credit of 5% is allocated annually and is not dependent on investment earnings.
- C. Actuarial Cost Method — For the purpose of calculating an employer's actuarially determined contribution rate, the one-year term cost is used.
- D. Valuation of Assets — Assets in the SDBF are valued at fund value (or fund balance); however, since the contribution rates are based just on the one-year term cost, assets are not included in developing the rate.
- E. Changes in Actuarial Assumptions and Methods — There were no changes since the prior valuation.

**II. Benefit Provisions**

- A. Participation in SDBF — Participation in the SDBF is optional and may be rescinded. Each municipality that chooses to participate can elect to cover just active members, or both active and retired members.
- B. Benefit Eligibility — Benefits are payable if the death occurs during the period in which a municipality has elected to participate in the SDBF. For retirees who had service with multiple TMRS employers, benefits are payable only if the municipality from which the member retired participates in the SDBF when the death occurs.
- C. Benefit Amount — The death benefit for active employees provides a lump sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of \$7,500.



**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

**Discount rate.** The discount rate used to measure the Total OPEB Liability was 3.71%. 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.

<i>Changes in the OPEB Liability</i>	<b>Total OPEB Liability (a)</b>
Balance at 12/31/2018	\$ 257,557
Changes for the year:	
Service cost	15,941
Interest	9,818
Changes of Benefit Terms	-
Difference between Expected and Actual Experience	(45,420)
Changes in Assumptions	46,031
Contributions – Employer	-
Contributions – Employee	-
Net Investment Income	-
Benefit Payments, Including Refunds of Employee Contributions	(1,771)
Administrative Expense	-
Other Changes	-
Net Changes	\$ 24,599
<b>Balance at 12/31/2019</b>	<b>\$ 282,156</b>

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

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
City's net pension liability	\$338,346	\$282,156	\$238,360

**OPEB plan total liability.** Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2020, the City recognized OPEB expense of \$33,868.

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$26,073	\$35,997
Changes in actuarial assumptions	\$43,046	\$9,058
Difference between projected and actual investment earnings	\$-0-	\$0
Contributions subsequent to the measurement date	\$10,863	\$0
Total	\$79,982	\$45,055

\$10,863 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	
2020	\$8,109
2021	8,109
2022	\$6,151
2023	\$1,695
2024	\$0
Thereafter	\$0

**9. POST EMPLOYMENT HEALTH CARE BENEFITS**

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the City provides health care benefits to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premiums are paid in full by the insured for the actual month covered. This program is offered for a period of 18 months after the termination date. There is no associated cost to the City under this program.

City supplemental death to:	Plan Year 2020	Plan Year 2019
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Contributions

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

The city's contribution to the TMRS SDBF for the years ended 2020, 2019 and 2018 were \$13,806, \$7,401 and \$10,272, respectively, which equaled the required contributions each year.

10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees and others; and natural disasters. The City's program for managing risks include: 1) participation in a public entity risk pool (Texas Municipal League) to cover liability claims such as workers compensation and general liability claims and to cover property damage claims; 2) purchasing commercial property insurance for protection from damages due to windstorms, hurricanes, hail storms and floods; and 3) providing employees with various safety programs. Except for deductibles, the City has maintained insurance for risk of loss to the public entity risk pool and commercial issuers.

11. COMMITMENTS AND CONTINGENT LIABILITIES /SHORT TERM LOANS

The City is in a lawsuit against another city regarding the inclusion of certain properties included on the tax rolls of both cities. If the City of Ingleside is not successful, the taxes collected on such properties may need to be refunded to the affected taxpayers. Pending the resolution of this suit, the City has set aside the disputed taxes. As of September 30, 2020, the total amount set aside is approximately \$2,261,509. The City participates in certain federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives.

12. FUND EQUITY - GASB 54 note

Fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. Fund balance is classified as non-spendable, restricted, committed, assigned and/or unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the government funds.

The classifications are as follows:

Non-spendable - The non-spendable fund balance category includes amounts that cannot be spent because they are not in spendable form, or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash. It also includes the long-term amount of inter-fund loans.

**CITY OF INGLESIDE, TEXAS**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Restricted - Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or is imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that the City can be compelled by an external party-such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed - The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (ordinance or resolution) of the City Council. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action (ordinance or resolution) it employed to previously commit those amounts. In contrast to fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by City Council separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds other than the General Fund, assigned fund balance represents the remaining amount that is not restricted or committed. In the General Fund, assigned amounts represent intended uses established by the City Council or state statute. City Council or a Council official delegated that authority by the City Council, can also make those assignments.

Unassigned - Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

#### City Fund Balance Policy

The City applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used. The City has in the past and plans to continue in the future its conservative approach to monitoring expenditures to ensure that fund balances stay strong at the 25% general fund policy level. Good management practices contributed toward the credit rating agencies deciding to reaffirm the City's "AA-" ratings. As Standard & Poor's stated, "[Our] stable outlook also reflects our expectation that City officials will maintain reserve levels at a strong level."

**CITY OF INGLESIDE, TEXAS  
NOTES TO BASIC FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Fund Balance - GASB 54 Compliance

By a majority vote in a scheduled meeting of the City Council, the Council may commit fund balances and it may modify or rescind these commitments. The City Council may also delegate authority to persons or parties to assign fund balances in specific circumstances. The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented as follows.

Fund Balance Classification	Amount
Non-spendable	
Inventories	\$ 128,562
Pre-paids	-
 Restricted	
Federal/State Grants/Bonds	25,140,195
Retirement of Long Term Debt	445,674
 Committed	
Economic	1,518,787
Compensated	88,546
Resolution	2,261,509
Assigned Fund Balances	
Undesignated/Unassigned	-
Unassigned Fund Balance	5,380,347
Total Fund Balances	\$ 34,963,620

13. Prior Period Adjustment

None

14. Subsequent Events

The City has evaluated subsequent events through May 4, 2021, the date which the financial statements were available to be issued. During the post audit period, the world was hit with a virus that basically shut down the world business and had people sheltering in place. This virus (Covid 19) hurt the economy worldwide. As it is slowly passing the peck at the audit date, businesses are slowly re-opening.



REQUIRED SUPPLEMENTARY INFORMATION

CITY OF INGLESIDE, TEXAS  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

BUDGETARY DATA

Annual budgets are legally adopted by council. The City Manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditures of a department must be approved by the City Council. Budgeted amounts reported in the 2019-2020 financial statements present the original and final amended budget approved by the Council. All unencumbered budget appropriations except project budgets, lapse at the end of each fiscal year. The following procedures are used by the City in establishing the budgetary date reflected in the financial statements:

1. Prior to first meeting in August, the City Manager is required to submit a proposed budget to the City Council. The operating budget includes proposed expenditures and the means of financing them.
2. Advertised public hearings are conducted.
3. The budget is required to be approved by September 25<sup>th</sup>.
4. The tax rates are approved after the budget has been approved.
5. The budget may be amended as considered necessary. The budget and tax rates are enacted through the passage of ordinances.



CITY OF INGLESIDE  
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Plan Year Ended December 31,					
	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>						
Service cost	\$ 433,235	\$ 403,544	\$ 469,032	\$ 432,218	\$ 379,494	\$ 321,926
Interest (on the total pension liability)	776,183	737,299	737,299	641,650	611,447	569,633
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	32,532	(127,367)	(127,367)	103,330	(7,763)	(62,473)
Change of assumptions	45,854	-	-	-	50,202	-
Benefit payments, including refunds of employee contributions	(483,688)	(420,849)	(420,849)	(306,320)	(271,220)	(249,841)
<b>Net Change in Total Pension Liability</b>	<b>804,116</b>	<b>592,627</b>	<b>658,115</b>	<b>870,878</b>	<b>762,160</b>	<b>579,245</b>
<b>Total Pension Liability - Beginning</b>	<b>11,524,235</b>	<b>10,931,608</b>	<b>10,313,859</b>	<b>9,442,981</b>	<b>8,680,821</b>	<b>8,101,579</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 12,328,351</b>	<b>\$ 11,524,235</b>	<b>\$ 10,971,974</b>	<b>\$ 10,313,859</b>	<b>\$ 9,442,981</b>	<b>\$ 8,680,824</b>
<b>Plan Fiduciary Net Position</b>						
Contributions - employer	\$ 1,354,817	\$ 864,208	\$ 371,019	\$ 344,375	\$ 310,441	\$ 260,907
Contributions - employee	178,185	164,846	175,143	166,366	150,116	138,192
Net investment income	1,560,604	(292,875)	1,191,339	531,400	11,316	407,224
Benefit payments, including refunds of employee contributions	(483,688)	(420,849)	(537,848)	(306,320)	(271,220)	(249,841)
Administrative expense	(8,818)	(5,665)	(6,172)	(6,001)	(6,893)	(4,251)
Other	(265)	(296)	(313)	(323)	(340)	(350)
<b>Net Change in Plan Fiduciary Net Position</b>	<b>2,600,835</b>	<b>309,369</b>	<b>1,193,168</b>	<b>729,497</b>	<b>193,420</b>	<b>551,881</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>10,094,888</b>	<b>9,785,519</b>	<b>8,592,350</b>	<b>7,862,853</b>	<b>7,669,433</b>	<b>7,117,552</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 12,695,723</b>	<b>\$ 10,094,888</b>	<b>\$ 9,785,518</b>	<b>\$ 8,592,350</b>	<b>\$ 7,862,853</b>	<b>\$ 7,669,433</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ (367,372)</b>	<b>\$ 1,429,347</b>	<b>\$ 1,186,456</b>	<b>\$ 1,721,509</b>	<b>\$ 1,580,128</b>	<b>\$ 1,011,391</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	<b>102.98%</b>	<b>87.60%</b>	<b>89.52%</b>	<b>83.31%</b>	<b>83.27%</b>	<b>88.35%</b>
<b>Covered Payroll</b>	<b>\$ 3,542,392</b>	<b>\$ 3,296,927</b>	<b>\$ 3,502,856</b>	<b>\$ 3,327,314</b>	<b>\$ 3,002,326</b>	<b>\$ 2,763,843</b>
<b>Net Pension Liability as a Percentage of Covered Payroll</b>	<b>-10.37%</b>	<b>43.35%</b>	<b>32.72%</b>	<b>51.74%</b>	<b>52.63%</b>	<b>36.59%</b>

CITY OF INGLESIDE  
SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiscal Year Ended September 30,					
	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 407,491	\$ 347,133	\$ 351,369	\$ 392,713	\$ 358,704	\$ 302,227
Contributions in relation to actuarially determined contribution	<u>(407,491)</u>	<u>(347,133)</u>	<u>(351,369)</u>	<u>(392,713)</u>	<u>(358,704)</u>	<u>(302,227)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 4,453,451	\$ 3,383,573	\$ 3,209,951	\$ 3,623,974	\$ 3,370,001	\$ 2,922,087
Contributions as a percentage of covered payroll	9.15%	10.26%	10.95%	10.84%	10.64%	10.34%

CITY OF INGLESIDE  
NOTES TO SCHEDULE OF CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Valuation Date:** 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	2.5%
Salary Increases	3.5% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on 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 2010-2018.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.
<b>Other Information:</b>	There were no benefit changes during the year.

CITY OF INGLESIDE  
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Plan Year Ended December 31,		
	2019	2018	2017
<b>Total OPEB Liability</b>			
Service cost	\$ 15,941	\$ 14,506	\$ 13,661
Interest (on the total OPEB liability)	9,818	7,166	6,873
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(45,420)	41,827	-
Change of assumptions	46,031	(14,530)	15,088
Benefit payments, including refunds of employee contributions	(1,771)	(1,319)	(1,401)
<b>Net Change in Total OPEB Liability</b>	<u>24,599</u>	<u>47,650</u>	<u>34,221</u>
<b>Total OPEB Liability - Beginning</b>	<u>257,557</u>	<u>209,907</u>	<u>175,686</u>
<b>Total OPEB Liability - Ending</b>	<u>\$ 282,156</u>	<u>\$ 257,557</u>	<u>\$ 209,907</u>
<b>Covered Payroll</b>	\$ 3,542,392	\$ 3,296,927	\$ 3,502,856
<b>Total OPEB Liability as a Percentage of Covered Payroll</b>	7.97%	7.81%	5.99%

CITY OF INGLESIDE  
NOTES TO SCHEDULE OF OPEB CONTRIBUTIONS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Valuation Date:**

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	17 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table based on rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

**Other Information:**

There were no benefit changes during the year.

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