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NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P "Applied for"
(See "OTHER PERTINENT INFORMATION – Rating" herein)

PRELIMINARY OFFICIAL STATEMENT
Dated: September 28, 2021

Interest on the Bonds is not excludable from gross income for federal income tax purpose under existing law. (See "FEDERAL INCOME TAX TREATMENT OF THE BONDS" herein).

\$885,000*
CITY OF ARANSAS PASS, TEXAS
(A political subdivision of the State of Texas located in San Patricio, Nueces and Aransas Counties)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

Dated Date: October 1, 2021

Due: February 1, as shown on page 2

The \$885,000* City of Aransas Pass, Texas General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds") are being issued by the City of Aransas Pass, Texas (the "Issuer" or the "City") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council on October 4, 2021. (See "THE BONDS - Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Bonds will accrue from October 1, 2021 (the "Dated Date") and will be payable on February 1 and August 1 of each year, commencing February 1, 2022 until stated maturity, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in principal amounts of \$5,000 or any integral multiple thereof within a maturity. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by UMB Bank, N.A., Austin, Texas, as initial 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 Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used (1) to finance the settlement of a lawsuit (as more particularly described in "SCHEDULE I – Refunded Obligations" the "Refunded Obligations"), and (2) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)

The City expects to issue its \$895,000* City of Aransas Pass, Texas Tax Notes, Series 2021A (the "Notes") and \$2,950,000* General Obligation Refunding Bonds, Series 2021 (the "Tax-Exempt Bonds") on October 4, 2021. The Notes and the Bonds were each publicly offered under separate offering documents. This Official Statement relates only to the sale of the Bonds and not the sale of the Notes or the Tax-Exempt Bonds.

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

The Bonds are offered for delivery, when, as and if issued and received by the initial purchasers thereof named below (the "Underwriter") 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. Certain matters will be passed upon for the Underwriter by their counsel, Locke Lord LLP, Austin, Texas. It is expected that the Bonds will be available for delivery through DTC on or about November 4, 2021.

FHN FINANCIAL CAPITAL MARKETS

*Preliminary, subject to change.

\$885,000*
CITY OF ARANSAS PASS, TEXAS
(A political subdivision of the State of Texas located in San Patricio, Nueces and Aransas Counties)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

STATED MATURITY SCHEDULE*

CUSIP No. Prefix ⁽¹⁾ 038591

Stated				CUSIP
Maturity	Principal	Interest	Initial	No.
<u>2/1</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u> ⁽²⁾	<u>Suffix</u> ⁽¹⁾
2022	\$ 115,000			
2023	125,000			
2024	125,000			
2025	130,000			
2026	130,000			
2027	130,000			
2028	130,000			

(Interest to accrue from the Dated Date)

The Bonds are not subject to redemption prior to stated maturity. (See "THE BONDS –Redemption Provisions" herein).

* *Preliminary, subject to change.*

⁽¹⁾ CUSIP numbers are included solely for the convenience of the owner of the Bonds. 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 Underwriter are responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF ARANSAS PASS TEXAS
600 W Cleveland Boulevard
Aransas Pass, Texas 78336
Telephone: (361) 758-5301

ELECTED OFFICIALS

Name	Years Served	Term Expires (May)	Occupation
Ram Gomez Mayor	4	2023	Business Owner
Carrie Scruggs Mayor Pro-Tem	6	2023	Retired
Jason Knight Councilmember, Place 2	1	2022	Field Tech
Jan Moore Councilmember, Place 3	4	2023	Business Owner
Vickie Abrego Councilmember, Place 4	15	2022	Retired

ADMINISTRATION

Name	Position	Length of Service (Years)
Gary Edwards	City Manager	4 years
Sandra Garcia	Director of Finance	5 years
Roxann Pais Cotroneo	City Attorney	3 years

CONSULTANTS AND ADVISORS

Bond Counsel Norton Rose Fulbright US LLP
San Antonio, Texas

Certified Public Accountants..... Brenda P. McElwee, P.C.
Aransas Pass, Texas

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

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Issuer with respect to the Bonds that has been "deemed final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

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 is 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 information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will under any circumstances create any implication that there has been no change in the information or opinions set forth herein after the date of this Official Statement. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Issuer's undertaking to provide certain information on a continuing basis.

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

THE BONDS 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 BONDS IN ACCORDANCE WITH APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE THE MARKET PRICE OF THIS ISSUE AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

None of the City, the Financial Advisors or the Underwriter 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 Bonds are contained solely in the contracts described herein. Neither this Official Statement or any other statement made in connection with the offer or sale of the Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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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 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Aransas Pass, Texas (the "City" or "Issuer") is located on the Gulf Coast, 25 miles north of the City of Corpus Christi, Texas. The 2021 estimated population is 8,976. The City is a popular fishing and tourist resort and has become an important commercial fishing center. With easy access to the Gulf of Mexico, the harbor has facilities for 600 shrimp trawlers. The City connects to Port Aransas via a free ferry service, one of only two accesses to the island. The City operates under a Mayor/City Council form of government pursuant to the laws of the State of Texas and the City's Home Rule Charter. The City's Home Rule Charter was last amended at an election held on November 3, 2020. (See "APPENDIX B - General Information Regarding the City of Aransas Pass and San Patricio, Nueces and Aransas Counties, Texas" herein.)
The Bonds	The \$885,000* City of Aransas Pass, Texas General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds") are being issued by the City of Aransas Pass, Texas (the "Issuer" or the "City") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council on October 4, 2021.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Austin, Texas.
Security for the Bonds	The Bonds constitute direct and general obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS - Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provisions	The Bonds are not subject to redemption.
Federal Income Tax Treatment of the Bonds	Interest on the Bonds is not excludable from gross income for federal income tax purpose under existing law. (See "FEDERAL INCOME TAX TREATMENT OF THE BONDS" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used (1) finance the settlement of a lawsuit (as more particularly described in "SCHEDULE I – Refunded Obligations", the "Refunded Obligations") and (2) to pay costs of issuance and expenses relating to the Bonds. (See "THE BONDS – Purpose of Bonds" herein.)
Rating	A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. (See "OTHER PERTINENT INFORMATION - Rating")
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York relating to the method and timing of payment and the method and transfer relating to the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Future Debt Issues	None.
Concurrent Issues	The City expects to issue its \$895,000* City of Aransas Pass, Texas Tax Notes, Series 2021A (the "Notes") and \$2,950,000* General Obligation Refunding Bonds, Series 2021 (the "Tax-Exempt Bonds") on October 4, 2021. The Notes and the Bonds were each publicly offered under separate offering documents. This Official Statement relates only to the sale of the Bonds and not the sale of the Notes or the Tax-Exempt Bonds.
Delivery	When issued, anticipated to occur on or about November 4, 2021.
Legality	Delivery of the Bonds 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.

*Preliminary, subject to change.

PRELIMINARY OFFICIAL STATEMENT

Relating to

\$885,000*

CITY OF ARANSAS PASS, TEXAS

(A political subdivision of the State of Texas located in San Patricio, Nueces and Aransas Counties)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

INTRODUCTORY STATEMENT

This Official Statement, including Schedule I and the appendices hereto, provides certain information in connection with the issuance by the City of Aransas Pass, Texas (the "City" or "Issuer") of its \$885,000* General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds") identified on page 2 hereof.

The Issuer is a political subdivision of the State of Texas and a home-rule municipal corporation organized and existing under the laws of the State of Texas. The Bonds are being issued by the City of Aransas Pass, Texas in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code, the City's Home Rule Charter, and an ordinance (the "Ordinance") to be adopted by the City Council on October 4, 2021.

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 Bonds 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 NE 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 (defined below) pertaining to the Bonds will be filed by the Underwriter 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 the State of Texas (the "State"). 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.

*Preliminary, subject to change.

In addition to the actions by the State and federal officials, certain local officials, including the City and San Patricio, Nueces and Aransas Counties, Texas, have declared a local state of disaster and have issued “shelter-in-place” orders. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and shelter-in-place orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

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 Bonds. 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 BONDS

Purpose of Bonds

Proceeds from the sale of the Bonds will be used (1) to finance the settlement of a lawsuit (as more particularly described in “SCHEDULE I – Refunded Obligations”, the “Refunded Obligations”) and (2) to pay costs of issuance and expenses relating to the Bonds.

Refunded Obligations

UMB Bank, N.A., Austin, Texas, as Paying Agent/Registrar, is hereby appointed as the place of payment of the Refunded Obligations for and on behalf of the City. The proceeds received from the sale of the Bonds, together with such other funds as may be provided by the City, shall be deposited in immediately available funds with the Paying Agent/Registrar and applied at the direction of the City for the purposes of providing for the full and complete discharge and final payment of the Refunded Obligations and the payment of the costs and expenses incurred in connection therewith. Any amounts remaining after complete discharge and final payment of the Refunded Obligations at the direction of the City may be applied to pay the costs incurred in the issuance of the Bonds and/or transferred to the Bond Fund.

General Description

The Bonds will be dated October 1, 2021 (the “Dated Date”), will be issued in denominations of \$5,000 principal or any integral multiple thereof within a stated maturity, and 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. Interest on the Bonds will accrue from the Dated Date, with such interest payable on February 1 and August 1 of each year, commencing February 1, 2022, until stated maturity. Principal and interest on the Bonds 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 Bonds will be payable to the registered owner as shown on the security register maintained by UMB Bank, N.A., Austin, Texas, as the initial Paying Agent/Registrar, as of the Record Date (defined herein) 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 Bonds will be payable at Stated Maturity 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 Bonds will 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 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 Bonds are being issued pursuant to the Constitution and laws of the State of Texas, including Chapter 1207, as amended, Texas Government Code, the Ordinance, and the City’s Home Rule Charter.

Security for Payment

The Bonds are direct obligations payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Redemption Provisions

The Bonds are not subject to redemption prior to stated maturity.

Sources and Uses

<u>Sources of Funds</u>	<u>The Bonds</u>
Par Amount	\$ _____
Accrued Interest	_____
[Net] Reoffering Premium	_____
City Cash Contribution	_____
Total Sources of Funds	\$ _____
<u>Uses of Funds</u>	
Deposit with the Paying Agent/Registrar	\$ _____
Costs of Issuance	_____
Underwriter’s Discount	_____
Deposit to Bond Fund	_____
Total Uses of Funds	\$ _____

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of opinions as to certain legal matters by Norton Rose Fulbright US LLP, San Antonio, Texas (“Bond Counsel”). The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on the Bonds should the Book-Entry-Only System be discontinued. A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when payment of the principal amount of the Bonds plus interest accrued on the Bonds to their due date (whether such due date be by reason of stated maturity, or otherwise), is provided by irrevocably depositing with a paying agent (or financial institution permitted by applicable state law), in trust (1) money sufficient to make such payment, (2) Government Securities (defined below) of such maturities and interest payment dates and bear such interest as will, without further investment or reinvestment of either the principal amount thereof or the interest earnings therefrom, be sufficient to make such payment, or (3) a combination of money and Government Securities together so certified sufficient to make such payment. 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 Bonds. 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 Bonds. City officials may restrict the use of such Government Securities as deemed appropriate. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, 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 Bonds (“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 Bonds, registered owners of Bonds 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 Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Bonds, to call for redemption at an earlier date those Bonds 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 Bonds for redemption, (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements, and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Amendments

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 Bonds 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 Bonds affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Bond is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the place or places at or the coin or currency in which any Bond or interest thereon is payable, change the redemption price or amount, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (2) give any preference to any Bond over any other Bond, or (3) reduce the aggregate principal amount of Bonds required for consent to any amendment, addition, or waiver.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds 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 Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's Bonds are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds 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 (the "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 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 the 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 at the time of conception of the contractual relationship.

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 Bonds. As noted above, the Ordinance provides that Bondholders 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors or general principles of equity which permit the exercise of judicial discretion.

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is UMB Bank, N.A., 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 institution, shall be an association or a 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 shall be authorized by law to serve as a Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

The Bonds 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 upon presentation to the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Bonds 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 person entitled to the receipt of the interest payable on a Bond on any interest payment date means the fifteenth (15th) 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 "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 Bond 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 Bonds are not in the Book-Entry-Only System, the Bonds 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 Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bond 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 Bonds issued in an exchange or transfer of Bonds 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 Bonds 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 Bonds 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 Bond or Bonds 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 Bonds.)

Limitation on Transfer of Bonds

Neither the City 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 of 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 Bond 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 Bond redeemed in part.

Replacement Bonds

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds 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 Bond 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 Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by the Depository Trust Company, New York, New York ("DTC") while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Underwriter believe to be reliable, but the Issuer, the Financial Advisors and the Underwriter take no responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

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 Bonds will be issued to the holders and the Bonds 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 Issuer invests its investable funds in investments authorized by Texas law in accordance with investment policies approved by the City Council of the Issuer. Both State law and the Issuer's investment policies are subject to change.

Legal Investment

Under Texas law and subject to certain limitations, the Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer is not required to liquidate the investment unless it no longer carries a required rating, in which case the Issuer is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Investment Policies

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

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

Current Investments ⁽¹⁾

TABLE 1

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

<u>Type of Security</u>	<u>Market Value</u>
Cash, Money Markets, and Certificates of Deposit, Investment Pools	\$9,818,738

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.

⁽¹⁾ 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 Texas Property Tax Code (the "Tax Code ") provides for county-wide appraisal and equalization of taxable property values and establishes in each county of the State of Texas an appraisal district and an appraisal review board responsible for appraising property for all taxable units within the county. The San Patricio County Appraisal District (the "Appraisal District") is responsible for appraising property within the City generally as of January 1 of each year. Portions of the City are also located in Aransas and Nueces Counties, Texas. The appraisal values set by the Appraisal District are subject to review and change by the San Patricio County Review Board (the "Appraisal Review Board") which is appointed by the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by the Issuer in establishing its tax roll and tax rate.

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. For a discussion of how the various exemptions described above are applied by the City, see “CITY’S APPLICATION OF THE PROPERTY TAX CODE” herein.

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.

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

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

Debt Tax Rate Limitations

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

CITY'S APPLICATION OF THE PROPERTY TAX CODE

See Table 1 in APPENDIX A for a listing of the amounts of the exemptions described below.

The City grants an exemption to the appraised value of the residence homestead of persons 65 years of age or older of \$5,000.

The City has adopted the tax freeze for citizens who are disabled or are 65 year of age or older.

The City does not permit split payments or discounts.

The City does not tax freeport property.

The City does not tax goods-in-transit.

On May 29, 2007, the City Council authorized an ordinance creating a TIRZ that totaled 497 acres with a taxable "base" value of \$4,985,170, and for a period of 25 years, ending December 31, 2032.

The City may create additional TIRZ/TIF Zones in the future with business entities existing or to be constructed within the City. Any such zones will provide benefits and impose requirements pursuant to the City's TIRZ/TIF policy.

FEDERAL INCOME TAX TREATMENT OF THE BONDS

General

The following is a general summary of the United States federal income tax consequences of the purchase and ownership of the Bonds. The discussion is based upon the Code, United States Treasury Regulations, rulings and decisions now in effect, all of which are subject to change (possibly, with retroactive affect) or possibly differing interpretations. No assurances can be given that future changes in the law will not alter the conclusions reached herein. The discussion below does not purport to deal with United States federal income tax consequences applicable to all categories of investors. Further, this summary does not discuss all aspects of United States federal income taxation that may be relevant to a particular investor in the Bonds in light of the investor's particular personal investment circumstances (for example, persons subject to alternative minimum tax) or to certain types of investors subject to special treatment under United States federal income tax laws (including insurance companies, tax exempt organizations, financial institutions, brokers-dealers, persons who have hedged the risk of owning the Bonds, traders in securities that elect to use a mark-to-market method of accounting, thrifts, regulated investment companies, pension and other employee benefit plans, partnerships and other pass-through entities, certain hybrid entities and owners of interests therein, persons who acquire Bonds in connection with the performance of services, or persons deemed to sell Bonds under the constructive sale provisions of the Code). The discussion below also does not discuss any aspect of State, local, or foreign law or United States federal tax laws other than United States federal income tax law. The summary is therefore limited to certain issues relating to initial investors who will hold the Bonds as "capital assets" within the meaning of section 1221 of the Code, and acquire such Bonds for investment and not as a dealer or for resale. This summary addresses certain federal income tax consequences applicable to beneficial owners of the Bonds who are United States persons within the meaning of Section 7701(a)(30) of the Code ("United States persons") and, except as discussed below, does not address any consequences to persons other than United States

persons. Prospective investors should note that no rulings have been or will be sought from the Internal Revenue Service (the "IRS") with respect to any of the United States federal income tax consequences discussed below, and no assurance can be given that the Service will not take contrary positions.

INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS IN DETERMINING THE FEDERAL, STATE, LOCAL, FOREIGN AND ANY OTHER TAX CONSEQUENCES TO THEM FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE Bonds.

Payments and Reporting of Stated Interest on the Bonds

The stated interest paid on the Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to United States federal income taxation when received or accrued, depending on the tax accounting method applicable to the beneficial owners thereof as ordinary income for federal income tax purposes. Subject to certain exceptions, the stated interest on the Bonds will be reported to the Service. Such information will be filed each year with the Service on Form 1099 which will reflect the name, address, and taxpayer identification number ("TIN") of the beneficial owner. A copy of Form 1099 will be sent to each beneficial owner of a Bond for federal income tax purposes.

Original Issue Discount

If the first price at which a substantial amount of the Bonds of any stated maturity is purchased at original issuance for a purchase price (the "Issue Price") that is less than their stated redemption price at maturity (increased in certain cases by interest accrued and not paid for more than one year) by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over its Issue Price, and the amount of the original issue discount on the Bonds will be amortized over the life of the Bonds using the "constant yield method" provided in the Treasury Regulations. As the original issue discount accrues under the constant yield method, the beneficial owners of the Bonds, regardless of their regular method of accounting, will be required to include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of the Bonds that exceeds actual cash distributions to the beneficial owners in a taxable year.

The amount of the original issue discount that accrues on the Bonds each taxable year will be reported annually to the IRS and to the beneficial owners. The portion of the original issue discount included in each beneficial owner's gross income while the beneficial owner holds the Bonds will increase the adjusted tax basis of the Bonds in the hands of such beneficial owner.

Premium

If a beneficial owner purchases a Bond for an amount that is greater than its stated redemption price at maturity, such beneficial owner will be considered to have purchased the Bond with "amortizable Bond premium" equal in amount to such excess. A beneficial owner may elect to amortize such premium using a constant yield method over the remaining term of the Bond and may offset interest otherwise required to be included in respect of the Bond during any taxable year by the amortized amount of such excess for the taxable year. Bond premium on a Bond held by a beneficial owner that does not make such an election will decrease the amount of gain or increase the amount of loss otherwise recognized on the sale, exchange, redemption or retirement of a Bond. However, if the Bond may be optionally redeemed after the beneficial owner acquires it at a price in excess of its stated redemption price at maturity, special rules would apply under the Treasury Regulations which could result in a deferral of the amortization of some Bond premium until later in the term of the Bond. Any election to amortize Bond premium applies to all taxable debt instruments held by the beneficial owner on or after the first day of the first taxable year to which such election applies and may be revoked only with the consent of the IRS.

Defeasance

Persons considering the purchase of a Bond should be aware that a defeasance of a Bond by the City could result in the realization of gain or loss by the beneficial owner of the Bond for federal income tax purposes, without any corresponding receipts of monies by the beneficial owner. Such gain or loss generally would be subject to recognition for the tax year in which such realization occurs, as in the case of a sale or exchange. Beneficial owners are advised to consult their own tax advisers with respect to the tax consequences resulting from such events.

Medicare Contribution Tax

Pursuant to Section 1411 of the Code, as enacted by the Health Care and Education Reconciliation Act of 2010, an additional tax is imposed on individuals beginning January 1, 2013. The additional tax is 3.8 percent of the lesser of (i) net investment income (defined as gross income from interest, dividends, net gain from disposition of property not used in a trade or business, and certain other listed items of gross income), or (ii) the excess of "modified adjusted gross income" of the individual over \$200,000 for unmarried individuals (\$250,000 for married couples filing a joint return and a surviving spouse). Holders of the Bonds should consult with their tax advisor concerning this additional tax, as it may apply to interest earned on the Bonds as well as gain on the sale of a Bond.

Disposition of Bonds and Market Discount

A beneficial owner of Bonds will generally recognize gain or loss on the redemption, sale or exchange of a Bond equal to the difference between the redemption or sales price (exclusive of the amount paid for accrued interest) and the beneficial owner's adjusted tax basis in the Bonds. Generally, the beneficial owner's adjusted tax basis in the Bonds will be the beneficial owner's initial cost, increased by the original issue discount previously included in the beneficial owner's income to the date of disposition and decreased by any amortized per bond premium. Any gain or loss generally will be capital gain or loss and will be long-term or short-term, depending on the beneficial owner's holding period for the Bonds.

Under current law, a purchaser of Bonds who did not purchase the Bonds in the initial public offering (a "subsequent purchaser") generally will be required, on the disposition of the Bonds, to recognize as ordinary income a portion of the gain, if any, to the extent of the accrued "market discount." Market discount is the amount by which the price paid for the Bonds by a subsequent purchaser is less than the sum of Issue Price and the amount of original issue discount previously accrued on the Bonds. The Code also limits the deductibility of interest incurred by a subsequent purchaser on funds borrowed to acquire Bonds with market discount. As an alternative to the inclusion of market discount in income upon disposition, a subsequent purchaser may elect to include market discount in income currently as it accrues on all market discount instruments acquired by the subsequent purchaser in that taxable year or thereafter, in which case the interest deferral rule will not apply. The recharacterization of gain as ordinary income on a subsequent disposition of Bonds could have a material effect on the market value of the Bonds.

Backup Withholding

Under section 3406 of the Code, a beneficial owner of the Bonds who is a United States person, as defined in section 7701(a)(30) of the Code, may, under certain circumstances, be subject to "backup withholding" on payments of current or accrued interest on the Bonds. This withholding applies if such beneficial owner of Bonds: (i) fails to furnish the payor such beneficial owner's social security number or other taxpayer identification number ("TIN"); (ii) furnishes the payor an incorrect TIN; (iii) fails to report properly interest, dividends, or other "reportable payments" as defined in the Code; or (iv) under certain circumstances, fails to provide the payor with a certified statement, signed under penalty of perjury, that the TIN provided to the payor is correct and that such beneficial owner is not subject to backup withholding. To establish status as an exempt person, a beneficial owner will generally be required to provide certification on IRS Form W-9 (or substitute or replacement form). Backup withholding will not apply, however, with respect to payments made to certain beneficial owners of the Bonds. BENEFICIAL OWNERS OF THE Bonds SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THEIR QUALIFICATION FOR EXEMPTION FROM BACKUP WITHHOLDING AND THE PROCEDURES FOR OBTAINING SUCH EXEMPTION. THE BACKUP WITHHOLDING TAX IS NOT AN ADDITIONAL TAX AND TAXPAYERS MAY USE AMOUNTS WITHHELD AS A CREDIT AGAINST THEIR FEDERAL INCOME TAX LIABILITY OR MAY CLAIM A REFUND AS LONG AS THEY TIMELY PROVIDE CERTAIN INFORMATION TO THE SERVICE.

Withholding on Payments to Nonresident Alien Individuals and Foreign Corporations

Under sections 1441 and 1442 of the Code, nonresident alien individuals and foreign corporations are generally subject to withholding at the rate of 30 percent on periodic income items arising from sources within the United States, provided such income is not effectively connected with the conduct of a United States trade or business. Assuming the interest received by the beneficial owners of the Bonds is not treated as effectively connected income within the meaning of section 864 of the Code, such interest will be subject to 30 percent withholding, or any lower rate specified in an income tax treaty, unless such income is treated as portfolio interest. Interest will be treated as portfolio interest if: (i) the beneficial owner provides a statement to the payor certifying, under penalties of perjury, that such beneficial owner is not a United States person and providing the name and address of such beneficial owner; (ii) such interest is treated as not effectively connected with the beneficial owner's United States trade or business; (iii) interest payments are not made to a person within a foreign country which the IRS has included on a list of countries having provisions inadequate to prevent United States tax evasion; (iv) interest payable with respect to the Bonds is not deemed contingent interest within the meaning of the portfolio debt provision; (v) such beneficial owner is not a controlled foreign corporation, within the meaning of section 957 of the Code; and (vi) such beneficial owner is not a bank receiving interest on the Bonds pursuant to a loan agreement entered into in the ordinary course of the bank's trade or business. The treatment described under this section may have been modified by an applicable tax treaty.

Assuming payments on the Bonds are treated as portfolio interest within the meaning of sections 871 and 881 of the Code, then no backup withholding under section 1441 and 1442 of the Code and no backup withholding under section 3406 of the Code is required with respect to beneficial owners or intermediaries who have furnished Form W-8 BEN, Form W-8 EXP or Form W-8 IMY, as applicable, provided the payor does not have actual knowledge that such person is a United States person.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the Code impose a 30 percent withholding tax on certain types of payments made to a foreign financial institution, unless the foreign financial institution enters into an agreement with the United States Treasury to, among other things, undertake to identify accounts held by certain United States persons or United States-owned entities, annually report certain information about such accounts, and withhold 30 percent on payments to account holders whose actions prevent it from complying with these and other reporting requirements, or unless the foreign financial institution is otherwise exempt from those requirements. In addition, the Foreign Account Tax Compliance Act ("FATCA") imposes a 30 percent withholding tax on the same types of payments to a non-financial foreign entity unless the entity certifies that it does not have any substantial United States owners or the entity furnishes identifying information regarding each substantial United States owner. Failure to comply with the additional certification, information reporting and other specified requirements imposed under FATCA could result in the 30 percent withholding tax being imposed on payments of interest and principal under the Bonds and sales proceeds of Bonds held by or

through a foreign entity. In general, withholding under FATCA currently applies to payments of United States source interest (including original issue discount) and will apply to (i) gross proceeds from the sale, exchange or retirement of debt obligations paid after December 31, 2016 and (ii) certain “pass-thru” payments no earlier than January 1, 2017. Prospective investors should consult their own tax advisors regarding FATCA and its effect on them.

The preceding discussion of certain United States federal income tax consequences is for general information only and is not tax advice. Accordingly, each investor should consult its own tax advisor as to particular tax consequences to it of purchasing, owning, and disposing of the Bonds, including the applicability and effect of any state, local, or foreign tax laws, and of any proposed changes in applicable laws.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and Beneficial Owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under these agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the “MSRB”). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal market Access (“EMMA”) system through an internet website accessible at www.emma.msrb.org as described below under “Availability of Information”.

Annual Reports

Under State law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the City 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 maintain each audit report within 180 days after the close of the City’s fiscal year. The City’s fiscal records and audit reports are available for public inspection during the regular business hours, and the City is required to provide a copy of the City’s audit reports to any bondholder or other member of the public within a reasonable time on request to City Secretary, 600 W Cleveland Blvd, Aransas Pass, Texas, 78336 and upon payment of charges prescribed by the general laws of the State of Texas.

The City will file certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general obligation type included in Table 1 of the Official Statement and in Tables 1 through 13 of APPENDIX A to this Official Statement, and in APPENDIX D. The City will update and provide this information within six months after the end of each fiscal year ending in and 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 City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the United States Securities and Exchange Commission’s Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City’s current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of such change with the MSRB through EMMA.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds, as the case may be; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, 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 will adopt 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 Bonds nor the Ordinance make provision for redemption prior to stated maturity, 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 Bonds 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 Bonds 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 Bonds 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 Bonds in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Bonds 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 Bonds. 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 Underwriter from lawfully purchasing or selling Bonds, respectively, in the primary offering of the Bonds.

Compliance with Prior Undertakings

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 Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond 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 Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, San Antonio, Texas has reviewed (except for numerical, statistical and technical data) the information under the captions "THE BONDS" (except under the subcaptions, "Sources and Uses", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "FEDERAL INCOME TAX TREATMENT OF THE BONDS", "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 Bonds for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Bonds 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 Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Bonds are contingent on the sale and initial delivery of the Bonds. The legal opinion of Bond Counsel will accompany the Bonds deposited with DTC or will be printed on the definitive Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by their counsel, Locke Lord LLP, Austin, Texas. The legal fees of Underwriter's counsel are contingent upon the delivery of the Bonds.

The various legal opinions to be delivered concurrently with the delivery of the Bonds 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.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds 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 - Rating" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds 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 Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds 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 Bonds for Sale

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; or have the Bonds been qualified under the securities acts of any jurisdiction. The Issuer assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

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

Rating

A municipal bond rating application for the Bonds has been made to S&P Global Ratings ("S&P"). The outcome of the results will be made available as soon as possible. An explanation of the significance of such rating may be obtained from S&P. The rating of the Bonds by S&P reflect only the views 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 revisions or withdrawals of the rating may have an adverse effect on the market price of the Bonds.

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 that are believed to be reliable. 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 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.

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.

Financial Advisor

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

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.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of \$_____ (representing the par amount of the Bonds of \$_____, plus a [net] reoffering premium of \$_____, less an Underwriter’s discount of \$_____), plus accrued interest on the Bonds to the date of initial delivery of the Bonds to the Underwriter.

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

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

Certification of the Official Statement

At the time of payment for and delivery of the Bonds, the Underwriter will be furnished a certificate, executed by proper officers of the City, acting in their official capacity, 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, on the date of such Official Statement, on the date of sale of the Bonds and on the date of the delivery, 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 the date of the last audited financial statements of the City.

Authorization of the Official Statement

The Official Statement will be approved as to form and content and the use thereof in the offering of the Bonds will be authorized, ratified and approved by the City Council, and the Underwriter will be furnished, upon request, at the time of payment for and the delivery of the Bonds, a certified copy of such approval, duly executed by the proper officials of the Issuer.

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Issuer, and authorize its further use in the reoffering of the Bonds by the Underwriter.

This Official Statement will be approved by the City Council of the Issuer for distribution in accordance with the provisions of the Rule.

CITY OF ARANSAS PASS, TEXAS

ATTEST:

/s/

Mayor

City of Aransas Pass, Texas

/s/

City Secretary
City of Aransas Pass, Texas

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SCHEDULE I
Schedule of Refunded Obligations

An Agreed judgment entered on September 8, 2021 in litigation styled *The State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas, Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas \$17,830,204 (the Judgment)*, together with any [accruing interest thereon and related costs of fees].

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APPENDIX A

**FINANCIAL INFORMATION
CITY OF ARANSAS PASS, 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) ^(a)	\$	977,288,426
Less Exemptions:		
Optional Over-65 or Disabled Homestead	\$	4,309,558
Disabled/Deceased Veterans'		13,203,777
Open-Space Land and Timberland		3,728,858
Loss to 10% HO Cap		67,802,881
TOTAL EXEMPTIONS		<u>89,045,074</u>
2021 Assessed Value of Taxable Property ⁽¹⁾	\$	<u>888,243,352</u>

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

*In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17,830,204.

⁽¹⁾ Includes \$143,667,340 in freeze value.

GENERAL OBLIGATION BONDED DEBT

(as of October 1, 2021)

General Obligation Debt Principal Outstanding

Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	\$	-	^{(1)*}
General Obligation Refunding Bonds, Series 2007		1,470,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012		-	^{(1)*}
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014		5,950,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2015		230,000	
General Obligation Refunding Bonds, Taxable Series 2016		2,660,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016		2,300,000	
Tax Notes, Series 2018		805,000	
General Obligation Refunding Bonds, Series 2018		1,535,000	
Tax Notes, Series 2019		1,230,000	
Tax Notes, Series 2020		1,145,000	
Tax Notes, Series 2021		1,035,000	
Tax Notes, Series 2021A (the "Notes")		895,000	*
General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds")		885,000	*
General Obligation Refunding Bonds, Series 2021 (the "Tax-Exempt Bonds")		2,950,000	*
Total Gross General Obligation Debt	\$	<u>23,090,000</u>	*
Less: Self Supporting Debt			
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005 (100.00% Utility System)	\$	-	^{(1)*}
General Obligation Refunding Bonds, Series 2007 (100.00% Sales Tax)		1,470,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012 (100.00% Utility System)		-	^{(1)*}
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014 (35.88% Utility System)		2,135,000	
Tax Notes, Series 2018 (68.94% Utility System)		555,000	
General Obligation Refunding Bonds, Series 2018 (100% Sales Tax)		1,535,000	
Tax Notes, Series 2020 (68.56% Utility System)		785,000	
Tax Notes, Series 2021 (100% MDD)		1,035,000	
Tax Notes, Series 2021A (the "Notes") (43.02% Utility System)		385,000	*
General Obligation Refunding Bonds, Series 2021 (the "Bonds") (100% Utility System)		2,950,000	*
Total Self-Supporting Debt	\$	<u>10,850,000</u>	*
Total Net General Obligation Debt Outstanding	\$	<u>12,240,000</u>	*

2021 Net Assessed Valuation ⁽²⁾	\$	888,243,352
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		2.60% *
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		1.38% *

Population: 1990 - 7,180; 2000 - 8,134; 2010 - 8,204; 2020 - 8,976 and est. 2021 - 8,976
 Per Capita Certified Net Taxable Assessed Valuation - \$98,957.59
 Per Capita Gross General Obligation Debt Principal - \$2,572.42
 Per Capita Net General Obligation Debt Principal - \$1,363.64

(a) See "AD VALOREM PROPERTY TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

⁽¹⁾ Excludes the obligations refunded with the proceeds of the Tax-Exempt Bonds (the "Refunded Obligations").

⁽²⁾ In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17,830,204.

* Preliminary, subject to change.

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE

TABLE 2

(As of September 30, 2020)

Notes Payable	Interest Rate	General Long Term Debt	Enterprise Fund Debt	Total
Note Payable Southside Bank, Asphalt Paver	3.08%	114,787		114,787
Note Payable Prosperity Bank, Haynie Boat	3.99%		10,102	10,102
Note Payable Prosperity Bank, Harbor Master Truck	3.54%		28,302	28,302

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

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Current Total Outstanding Debt ^(a)	Less: Refunded Obligations*	The Tax-Exempt Bonds*			The Bonds*			The Notes*			Combined Debt Service*	Less: Self-Supporting Debt*	Total Net Debt Service*
			Principal	Interest ^(b)	Total	Principal	Interest ^(b)	Total	Principal	Interest ^(b)	Total			
2022	\$ 3,290,998	\$ 336,094	\$ 285,000	\$ 46,317	\$ 331,317	\$ 115,000	\$ 6,109	\$ 121,109	\$ 115,000	\$ 13,767	\$ 128,767	\$ 3,536,097	\$ 1,721,988	\$ 1,814,130
2023	3,293,261	338,721	275,000	50,550	325,550	125,000	6,985	131,985	125,000	14,350	139,350	3,551,424	1,736,806	1,814,619
2024	2,951,155	342,006	285,000	44,950	329,950	125,000	6,334	131,334	125,000	11,850	136,850	3,207,283	1,457,424	1,749,858
2025	2,731,378	334,984	280,000	39,300	319,300	130,000	5,366	135,366	130,000	9,300	139,300	2,990,360	1,445,286	1,545,074
2026	2,655,745	258,775	210,000	34,400	244,400	130,000	4,118	134,118	130,000	6,700	136,700	2,912,187	1,367,545	1,544,642
2027	2,390,032	258,463	215,000	30,150	245,150	130,000	2,636	132,636	130,000	4,100	134,100	2,643,456	1,364,317	1,279,139
2028	1,150,765	262,963	225,000	25,750	250,750	130,000	921	130,921	140,000	1,400	141,400	1,410,874	676,450	734,424
2029	1,004,345	262,275	225,000	21,250	246,250	-	-	246,250	-	-	246,250	988,320	468,555	519,765
2030	1,002,283	260,875	230,000	16,700	246,700	-	-	246,700	-	-	246,700	988,108	466,118	521,990
2031	993,820	258,750	235,000	12,050	247,050	-	-	247,050	-	-	247,050	982,120	462,780	519,340
2032	994,360	261,400	240,000	7,300	247,300	-	-	247,300	-	-	247,300	980,260	463,950	516,310
2033	993,655	258,825	245,000	2,450	247,450	-	-	247,450	-	-	247,450	982,280	464,535	517,745
2034	735,830	-	-	-	-	-	-	-	-	-	-	735,830	203,600	532,230
2035	190,950	-	-	-	-	-	-	-	-	-	-	190,950	-	190,950
2036	190,550	-	-	-	-	-	-	-	-	-	-	190,550	-	190,550
Total	\$ 24,569,127	\$ 3,434,131	\$ 2,950,000	\$ 331,167	\$ 3,281,167	\$ 885,000	\$ 32,469	\$ 917,469	\$ 895,000	\$ 61,467	\$ 956,467	\$ 26,290,098	\$ 12,299,333	\$ 13,990,765

^(a) Includes self-supporting debt.

^(b) Calculated at assumed rates for illustration purposes only.

* Preliminary, subject to change.

TAX ADEQUACY (Includes Self-Supporting Debt)

2021 Certified Freeze Adjusted Net Taxable Assessed Valuation⁽¹⁾
 Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)
 Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements

\$ 744,576,012
 \$ 3,551,424 *
 \$ 0.4867 *

* Includes the Bonds, the Tax-Exempt Bonds, and Notes. Excludes the Refunded Obligations. Preliminary, subject to change.

⁽¹⁾ In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17,830,204.

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⁾
 Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)
 Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements

\$ 744,576,012
 \$ 1,814,619 *
 \$ 0.24869 *

* Includes the Bonds, the Tax-Exempt Bonds, and Notes. Excludes the Refunded Obligations. Preliminary, subject to change.

⁽¹⁾ In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17,830,204.

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

Unaudited Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2021	\$ 89,149
2021 Interest and Sinking Fund Tax Levy at 98% Collections Produce	2,461,138
Plus: Other City Funds	<u>1,721,968</u>
Total Available for General Obligation Debt	<u>\$ 4,272,255</u>
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/22 ⁽¹⁾	<u>3,536,097</u>
Estimated Surplus at Fiscal Year Ending 9/30/22 ⁽²⁾	<u>\$ 736,158</u>

⁽¹⁾ Includes self-supporting general obligation debt.

⁽²⁾ Does not include delinquent tax collections, penalties and interest on delinquent tax collections or investment earnings.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

(as of October 1, 2021)

Fiscal Year Ending 9-30	Principal Repayment Schedule						Principal Unpaid at End of Year*	Percent of Principal Retired (%)*
	Currently Outstanding ^(a)	Less: Refunded Obligations*	The Tax-Exempt Bonds*	The Bonds*	The Notes*	Total*		
2022	\$ 2,715,000	\$ 260,000	\$ 285,000	\$ 115,000	\$ 115,000	\$ 2,970,000	\$ 20,120,000	12.86%
2023	2,785,000	270,000	275,000	125,000	125,000	3,040,000	17,080,000	26.03%
2024	2,510,000	280,000	285,000	125,000	125,000	2,765,000	14,315,000	38.00%
2025	2,355,000	280,000	280,000	130,000	130,000	2,615,000	11,700,000	49.33%
2026	2,345,000	210,000	210,000	130,000	130,000	2,605,000	9,095,000	60.61%
2027	2,145,000	215,000	215,000	130,000	130,000	2,405,000	6,690,000	71.03%
2028	955,000	225,000	225,000	130,000	140,000	1,225,000	5,465,000	76.33%
2029	835,000	230,000	225,000	-	-	830,000	4,635,000	79.93%
2030	860,000	235,000	230,000	-	-	855,000	3,780,000	83.63%
2031	880,000	240,000	235,000	-	-	875,000	2,905,000	87.42%
2032	910,000	250,000	240,000	-	-	900,000	2,005,000	91.32%
2033	940,000	255,000	245,000	-	-	930,000	1,075,000	95.34%
2034	710,000	-	-	-	-	710,000	365,000	98.42%
2035	180,000	-	-	-	-	180,000	185,000	99.20%
2036	185,000	-	-	-	-	185,000	-	100.00%
Total	\$ 21,310,000	\$ 2,950,000	\$ 2,950,000	\$ 885,000	\$ 895,000	\$ 23,090,000		

^(a) Includes self-supporting debt.

* Preliminary, subject to change.

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2011-2021

TABLE 3

Year	Net Taxable Assessed Valuation	Change From Preceding Year	
		Amount (\$)	Percent
2011-12	\$ 467,820,364	---	---
2012-13	470,208,787	2,388,423	0.51%
2013-14	523,151,016	52,942,229	11.26%
2014-15	545,190,793	22,039,777	4.21%
2015-16	591,079,692	45,888,899	8.42%
2016-17	625,725,401	34,645,709	5.86%
2017-18	666,234,408	40,509,007	6.47%
2018-19	609,697,116	(56,537,292)	-8.49%
2019-20	676,581,819	66,884,703	10.97%
2020-21	742,511,084	65,929,265	9.74%
2021-22	888,243,352 ⁽¹⁾	145,732,268	19.63%

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

⁽¹⁾ In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17,830,204.

CLASSIFICATION OF ASSESSED VALUATION

TABLE 4

	2021 ⁽¹⁾	% of Total	2020	% of Total	2019	% of Total
Real, Residential, Single-Family	\$ 654,343,719	66.96%	\$501,151,388	64.15%	\$480,559,648	67.15%
Real, Residential, Multi-Family	19,615,777	2.01%	15,558,798	1.99%	10,082,394	1.41%
Real, Vacant Lots/Tracts	56,632,373	5.79%	48,343,355	6.19%	42,675,057	5.96%
Real, Acreage (Land Only)	3,936,057	0.40%	6,513,185	0.83%	1,832,045	0.26%
Real, Farm and Ranch Improvements	369,000	0.04%	363,460	0.05%	70,000	0.01%
Real, Commercial	149,309,596	15.28%	127,957,472	16.38%	109,815,559	15.35%
Real, Industrial	25,582,953	2.62%	8,189,975	1.05%	1,820,307	0.25%
Real & Tangible, Personal Utilities	10,791,095	1.10%	13,063,564	1.67%	12,442,255	1.74%
Tangible Personal, Commercial	36,690,680	3.75%	41,006,974	5.25%	38,397,674	5.37%
Tangible Personal, Industrial	7,296,980	0.75%	6,151,570	0.79%	5,021,610	0.70%
Tangible Personal, Mobile Homes	7,749,692	0.79%	6,078,152	0.78%	6,097,141	0.85%
Real Property, Inventory	108,650	0.01%	1,794,111	0.23%	1,277,402	0.18%
Special Inventory	4,861,854	0.50%	5,051,403	0.65%	5,521,666	0.77%
Total Appraised Value	\$ 977,288,426	100.00%	\$ 781,223,407	100.00%	\$715,612,758	100.00%
Less:						
Optional Over-65 or Disabled Homestead	\$ 4,309,558		\$4,173,725		\$3,990,665	
Disabled/Deceased Veterans'	13,203,777		11,612,097		10,297,753	
Open-Space Land and Timberland	3,728,858		6,300,327		1,745,190	
Loss to 10% HO Cap	67,802,881		16,626,174		22,997,331	
Net Taxable Assessed Valuation	\$ 888,243,352		\$ 742,511,084		\$ 676,581,819	

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

⁽¹⁾ In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17.830.204.

TAX DATA

TABLE 5

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections		Year Ended
				Current	Total	
2010	\$ 483,190,203	\$ 0.607491	\$ 2,935,329	92.79	98.13	9/30/2011
2011	467,820,364	0.723020	3,382,435	91.78	96.00	9/30/2012
2012	470,208,787	0.695758	3,271,515	90.80	96.13	9/30/2013
2013	523,151,016	0.680354	3,559,279	91.40	94.21	9/30/2014
2014	545,190,793	0.680354	3,709,227	92.32	96.91	9/30/2015
2015	591,079,692	0.680354	4,021,434	95.84	98.05	9/30/2016
2016	625,725,401	0.723020	4,524,120	99.21	100.78	9/30/2017
2017	666,234,408	0.695758	4,635,379	99.07	100.93	9/30/2018
2018	609,697,116	0.680354	4,148,099	97.82	102.23	9/30/2019
2019	676,581,819	0.680354	4,603,151	97.71	102.34	9/30/2020
2020	742,511,084	0.680354	5,051,704	99.03	102.70	9/30/2021
2021 ⁽¹⁾	888,243,352	0.680354	6,043,199	(In process of collecting)		9/30/2022

* As of August 31, 2021.

⁽¹⁾ In connection with the State of Texas, ex rel. Association Against Annexation Abuse v. City of Aransas Pass, Texas Cause No. A-19-0368-CV-C in the 343rd Judicial District of Aransas County, Texas, and related deannexation proceedings, the City currently anticipates a reduction in taxable assessed property of approximately \$17.830.204.

TAX RATE DISTRIBUTION

TABLE 6

	2021	2020	2019	2018	2017
General Fund	\$ 0.447193	\$ 0.484280	\$ 0.487422	\$ 0.488984	\$ 0.415614
I & S Fund	0.337288	0.314914	0.311772	0.286212	0.273041
Total Tax Rate	\$ 0.680354	\$ 0.680354	\$ 0.680354	\$ 0.695758	\$ 0.723020

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

PRINCIPAL TAXPAYERS

TABLE 7

Name	Type of Business/Property	2020 Net Taxable Assessed Valuation	% of Total 2020 Assessed Valuation
Lowe's Home Centers LLC	Home Improvement Retail	\$ 8,997,155	1.21%
Wal-Mart Real Estate Business	Real Estate	8,148,630	1.10%
2255 McMullen Lane LLC & GV&A 1 Holding LLC	Apartments	7,677,931	1.03%
AEP Texas Central Company	Utility	7,280,150	0.98%
Lowe's Home Centers LLC	Home Improvement Retail	6,649,888	0.90%
Wal-Mart Stores Texas LP	Retail	6,190,882	0.83%
Southern Oaks Rv Resort LLC	RV Resort	5,368,806	0.72%
AEP Texas Central Company	Utility	3,740,638	0.50%
Coast Materials Inc.	Land Scope Materials	3,118,470	0.42%
EAN Holdings LLC	Car Rental	2,997,736	0.40%
		\$ 60,170,286	8.10%

Source: Aransas, Nueces and San Patricio County Appraisal Districts.

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 an additional 1/2 cent for the Aransas Pass Municipal Development District as well as 1/2 cent for the Aransas Pass Crime Control District. Collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Crime Control District ⁽¹⁾	Municipal Development District ⁽²⁾
2012	\$ 1,854,506	63.18%	\$ 0.40	\$ 741,705	\$ 762,091
2013	1,873,427	55.39%	0.40	797,289	837,427
2014	1,883,538	57.57%	0.36	823,694	835,642
2015	1,960,326	55.08%	0.36	853,384	852,113
2016	2,050,099	55.27%	0.35	896,611	893,927
2017	1,989,475	49.47%	0.32	876,229	867,536
2018	2,536,657	56.07%	0.38	1,096,681	1,091,405
2019	2,293,536	49.48%	0.38	1,095,195	1,084,558
2020	2,516,619	60.67%	0.37	1,153,024	1,153,423
2021 ⁽³⁾	1,832,182	39.80%	0.25	839,482	830,492

⁽¹⁾ The City of Aransas Pass raised the Crime Control Sales Tax to 1/2 cent effective October 1, 2009.

⁽²⁾ The City of Aransas Pass implemented its municipal development district in December 1998.

⁽³⁾ As of August, 2021.

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

OVERLAPPING DEBT INFORMATION

(As of October, 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 10/1/2021)	% Overlapping	Amount Overlapping
Aransas County	\$ 25,375,000	1.56%	\$ 395,850
Aransas County Navigation District #1	2,530,000	1.56%	39,468
Aransas Pass ISD	15,310,000	76.72%	11,745,832
Nueces County	175,005,000	0.09%	157,505
Nueces County Hospital District	-	0.09%	-
Port Aransas ISD	7,328,000	0.62%	45,434
San Patricio County	49,855,491	3.74%	1,864,595
Total Gross Overlapping Debt			<u>\$ 14,248,683</u>
Aransas Pass, City of			\$ 23,090,000 *
Total Gross Direct and Overlapping Debt			<u>\$ 37,338,683 *</u>
Ratio of Gross Direct Debt and Overlapping Debt			5.03% *
Per Capita Gross Direct Debt and Overlapping Debt			\$4,160 *
Total Net Direct and Overlapping Debt			\$ 26,488,683 *
Ratio of Net Direct and Overlapping Debt to 2021 Net Assessed Valuation			2.98% *
Per Capita Net Direct and Overlapping Debt			\$2,951 *

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

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	2020 Assessed Valuation	% of Actual	2020 Tax Rate
Aransas County	\$ 3,648,621,563	100%	\$ 0.361000
Aransas County Navigation District #1	3,677,904,955	100%	0.050000
Aransas Pass ISD	846,187,322	100%	1.112000
Nueces County	33,454,154,361	100%	0.308000
Nueces County Hospital District	33,694,860,135	100%	0.112000
Port Aransas ISD	2,714,755,065	100%	0.995000
San Patricio County	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	Purpose	Amount Authorized	Issued To-Date	Unissued
Aransas County	None				
Aransas County Navigation District #1	None				
Aransas Pass ISD	None				
Nueces County	None				
Nueces County Hospital District	None				
Port Aransas ISD	5/06/2017	School Building	\$ 6,000,000	\$ 5,640,000	\$ 360,000
San Patricio County	None				

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

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES

TABLE 9

The following statements set forth in condensed form reflect the historical operations of the 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 ⁽¹⁾	9/30/2019	9/30/2018	9/30/2017	9/30/2016
Fund Balance - Beginning of Year	\$ 2,714,420	\$ 2,860,770	\$ 1,459,335	\$ 1,594,970	\$ 9,108,238
Revenues	9,385,507	8,619,217	8,792,558	9,801,467	7,773,354
Expenditures	10,307,350	9,968,855	15,722,721	11,603,986	8,626,778
Excess (Deficit) of Revenues Over Expenditures	\$ (921,843)	\$ (1,349,638)	\$ (6,930,163)	\$ (1,802,519)	\$ (853,424)
Other Financing Sources (Uses):					
Operating Transfers In	\$ 986,156	\$ 667,043	\$ 736,861	\$ 2,287,737	\$ 697,955
Grant Proceeds	1,743,628	308,166	5,283,184	3,750	-
Bond Proceeds	-	-	415,000	-	2,890,000
(Sales of Assets)	-	-	-	-	(197,834)
Insurance Proceeds	-	-	2,171,193	-	169,022
Operating Transfers Out	-	(25,000)	(274,640)	(624,603)	(10,218,987)
Total Other Financing Sources (Uses):	\$ 2,729,784	\$ 950,209	\$ 8,331,598	\$ 1,666,884	\$ (6,659,844)
Residual Equity Transfer	-	-	-	-	-
Prior period adjustment	(170,459)	253,079	-	-	-
Fund Balance - End of Year	\$ 4,351,902	\$ 2,714,420	\$ 2,860,770	\$ 1,459,335	\$ 1,594,970

Source: The Issuer's Annual Financial Reports

⁽¹⁾ The City anticipates ending the fiscal year ending September 30, 2021 with a fund balance of \$4,265,223.

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

Details of the City's pension plan and OPEB benefits may be found within the City's audit under NOTE I: Pension Plan.

UTILITY PLANT IN SERVICE**TABLE 11**

(As of September 30, 2020)

Land	\$ 397,778
Construction in Progress	55,156
Improvements Other than Buildings	3,547,564
Vehicles	401,332
Furniture and Equipment	1,697,515
Waterworks and Sanitary Sewer System	<u>18,266,177</u>
Total	\$ 24,365,522
Less: Accumulated Depreciation	<u>(12,948,602)</u>
Net Property, Plant and Equipment	\$ 11,416,920

Source: *The Issuer's Annual Financial Report*

WATERWORKS AND SEWER SYSTEM OPERATING STATEMENT**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, garbage, bad debt, debt service payments and expenditures identified as capital.

	Fiscal Year Ended				
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
Revenues	\$ 4,487,641	\$ 4,245,124	\$ 4,122,679	\$ 3,911,973	\$ 4,848,769
Expenses	<u>2,926,221</u>	<u>3,092,625</u>	<u>3,778,479</u>	<u>3,720,923</u>	<u>3,414,222</u>
Net Revenue Available for Debt Service	<u>\$ 1,561,420</u>	<u>\$ 1,152,499</u>	<u>\$ 344,200</u>	<u>\$ 191,050</u>	<u>\$ 1,434,547</u>
Customer Count:					
Water	4,422	4,342	4,113	4,044	3,925
Sewer	3,192	3,144	3,013	2,992	3,100

Source: *The Issuer's Annual Financial Report*

New Rates
Effective January 1, 2020

Residential Inside City Limits Deposits

3/4" Meter

Water	\$	75.00
Sewer		75.00
Total		150.00

*Larger meter size subject to an increase

Inside City Limits Monthly Fees

Meter Size	Water	Waste Water	Total
3/4"	\$ 15.08	\$ 13.31	\$ 28.39
1"	26.70	22.98	49.68
1.5"	46.07	39.10	85.17
2"	69.31	58.44	127.75

Senior Citizens Inside City Limits Monthly Fees

Meter Size	Water	Waste Water	Total
3/4"	\$ 12.02	\$ 12.38	\$ 24.40
1"	22.48	21.08	43.56
1.5"	39.91	35.59	75.50
2"	60.83	53.00	113.83

Commercial Inside City Limits Minimum Monthly Fees

Meter Size	Water	Waste Water	Total
3/4"	\$ 16.08	\$ 13.31	\$ 29.39
1"	27.70	22.98	50.68
1.5"	47.07	39.10	86.17
2"	70.31	58.44	128.75
3"	124.54	103.51	228.05
4"	202.00	168.05	370.05
6"	395.67	329.33	725.00

Inside City Limits Water consumption charge per 1,000 gallons

# of Gallons	Residential/ Commercial
1 to 5,000	\$4.85
5,001 - 10,000	\$5.82
Over 10,000	\$6.30

Inside City Limits Sewer consumption charge per 1,000 gallons

# of Gallons	Residential/ Commercial
1 to 5,000	\$2.34
5,001 - 10,000	\$3.05
Over 10,000	\$4.17

Outside City Limits Minimum Monthly Fees

<u>Meter Size</u>		<u>Water</u>		<u>Waste Water</u>		<u>Total</u>
3/4"	\$	17.73	\$	14.31	\$	32.04
1"		32.25		23.98		56.23
1.5"		56.46		40.10		96.56
2"		85.51		59.44		144.95

Commercial Outside City Limits Minimum Monthly Fees

<u>Meter Size</u>		<u>Water</u>		<u>Waste Water</u>		<u>Total</u>
3/4"	\$	18.73	\$	15.31	\$	34.04
1"		33.25		24.98		58.28
1.5"		57.46		41.10		98.56
2"		86.51		60.44		146.95
3"		154.30		105.51		259.81
4"		251.13		170.05		421.18
6"		493.22		331.23		824.45

Outside City Limits Water consumption charge per 1,000 gallons

<u># of Gallons</u>	<u>Residential/</u>
	<u>Commercial</u>
1 to 5,000	\$5.82
5,001 - 10,000	\$7.04
Over 10,000	\$7.78

Outside City Limits Sewer consumption chare per 1,000 gallons

<u># of Gallons</u>	<u>Residential/</u>
	<u>Commercial</u>
1 to 5,000	\$2.53
5,001 - 10,000	\$3.28
Over 10,000	\$5.17

Old Rates
Effective 1/1/2017

Residential Inside City Limits Deposits

3/4" Meter

Water	\$	75.00
Sewer		75.00
Total		150.00

***Larger meter size subject to an increase**

Inside City Limits Monthly Fees

Meter Size	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
3/4"	\$ 15.08	\$ 13.31	\$ 28.39
1"	26.70	22.98	49.68
1.5"	46.07	39.10	85.17
2"	69.31	58.44	127.75

Senior Citizens Inside City Limits Monthly Fees

Meter Size	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
3/4"	\$ 12.02	\$ 12.38	\$ 24.40
1"	22.48	21.08	43.56
1.5"	39.91	35.59	75.50
2"	60.83	53.00	113.83

Commercial Inside City Limits Minimum Monthly Fees

Meter Size	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
3/4"	\$ 16.08	\$ 13.31	\$ 29.39
1"	27.70	22.98	50.68
1.5"	47.07	39.10	86.17
2"	70.31	58.44	128.75
3"	124.54	103.51	228.05
4"	202.00	168.05	370.05
6"	395.67	329.33	725.00

Inside City Limits Water consumption charge per 1,000 gallons

<u># of Gallons</u>	<u>Residential/ Commercial</u>
1 to 5,000	\$4.69
5,001 -10,000	\$5.66
Over 10,000	\$6.30

Inside City Limits Sewer consumption charge per 1,000 gallons

<u># of Gallons</u>	<u>Residential/ Commercial</u>
1 to 5,000	\$2.34
5,001 - 10,000	\$3.05
Over 10,000	\$4.17

Outside City Limits Minimum Monthly Fees

Meter Size		Water	Waste Water	Total
3/4"	\$	17.73	\$ 14.31	\$ 32.04
1"		32.25	23.98	56.23
1.5"		56.46	40.10	96.56
2"		85.51	59.44	144.95

Commercial Outside City Limits Minimum Monthly Fees

Meter Size		Water	Waste Water	Total
3/4"	\$	18.73	\$ 15.31	\$ 34.04
1"		33.25	24.98	58.28
1.5"		57.46	41.10	98.56
2"		86.51	60.44	146.95
3"		154.30	105.51	259.81
4"		251.13	170.05	421.18
6"		493.22	331.23	824.45

Outside City Limits Water consumption charge per 1,000 gallons

# of Gallons	Residential/ Commercial
1 to 5,000	\$5.66
5,001 - 10,000	\$6.88
Over 10,000	\$7.62

Outside City Limits Sewer consumption chare per 1,000 gallons

# of Gallons	Residential/ Commercial
1 to 5,000	\$2.53
5,001 - 10,000	\$3.28
Over 10,000	\$5.17

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APPENDIX B

**GENERAL INFORMATION REGARDING THE CITY OF ARANSAS PASS, TEXAS AND
SAN PATRICIO, NUECES AND ARANSAS COUNTIES, TEXAS**

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CITY OF ARANSAS PASS, TEXAS

Location

The City of Aransas Pass is located on the Gulf Coast 25 miles north of Corpus Christi. The City's estimated 2021 population is 8,976. This City is a popular fishing and tourist resort and has become an important commercial fishing center. With easy access to the Gulf of Mexico, the harbor has facilities for 600 shrimp trawlers. The City connects to Port Aransas via a free ferry service, one of the two access to the island. Aransas Pass is situated in the Coastal Bend of the Texas Gulf coast and was named for the pass between Mustang and St. Joseph's Island. The town site was laid out in 1885 and was called Aransas Harbor. The name was changed to the present one in 1892.

Aransas Pass is 30 minutes from Corpus Christi, three hours from San Antonio. State Highways 35 and 361 intersect via Loop 90 in Aransas Pass. Aransas Pass is also served by T.P. McCampbell-Porter Airport. Recreational activities to enjoy include birding, duck hunting, fishing, boating and kayaking. Tourist facilities located within the City include: The Rialto Theatre, Newbury Park and the National Wildlife Refuge Trails.

Economy

The primary industries are shrimping and fishing; along with farming and oil & gas interests in the area. The region has strong mineral deposits and rich soil with the principle crops being grain, sorghum and cotton. The shrimp boat fleet sails from Conn Brown Harbor; a large, protected harbor chiefly dedicated to the shrimping industry. Tourism has always been an integral part of life on the Texas coast, and Aransas Pass is no different. Starting in 1948, Aransas Pass held an annual "Shrimporee" festival to celebrate the shrimp and its impact on the community. Over the years, Shrimporee has changed and grown. Currently held in the middle of June over three days, Shrimporee attracts festival goers all over Texas. The average attendance for the festival is approximately 40,000.

The commitment of grocery chain H-E-B- to downtown Aransas Pass in the mid-90's was the start of a rebirth for the central business district. Formerly boarded up storefronts began to have tenants and the City of Aransas Pass worked to attract new business including a new Super 8 Motel and most recently Hawthorn Suites Hotel. Aransas Pass continues to grow. The City is poised for the future, but hasn't forgotten the pas. It is a city steeped in tradition, but changing with the times both today and tomorrow.

Education

Aransas Pass ISD serves 1 early childhood school, 2 elementary schools, 1 middle school and 1 high school. Aransas Pass is conveniently located less than an hour drive from several institutions of higher education. Both Del Mar Junior College and Texas A&M University Corpus Christi are approximately thirty minutes from Aransas Pass.

ARANSAS COUNTY

Aransas County (the "County") has an area of 276 square miles. The County was created and organized in 1871 from Refugio County and the county seat is the City of Rockport, Texas.

The County's population is made up of local residents, summer vacationers and winter residents. The largest population is retirees relocating to the area. Aransas County has one of the fastest growing populations in Texas.

The County is located on the Gulf of Mexico and the local economy consists of seafood, oil production, tourism, sport hunting and fishing boating and water sports, fine art and sculptures and bird watching.

Labor Force Statistics ⁽¹⁾

	<u>2021⁽²⁾</u>	<u>2020⁽³⁾</u>	<u>2019⁽³⁾</u>	<u>2018⁽³⁾</u>	<u>2017⁽³⁾</u>
Civilian Labor Force	9,287	9,058	9,282	9,566	10,332
Total Employed	8,634	8,291	8,885	8,995	9,624
Total Unemployed	653	767	397	571	708
% Unemployment	7.0	8.5	4.3	6.0	6.9
Texas Unemployment					

(1) Source: Texas Workforce Commission.

(2) As of August, 2021.

(3) Average Annual Statistics.

NUECES COUNTY

Nueces County (the "County") has an area of 847 square miles. The county seat is Corpus Christi, Texas. The County was created and organized in 1846 from San Patricio County. The economy is diversified by petroleum, agriculture, tourism, coastal shipping, manufacturing and a military complex. Principal sources of agricultural income include beef, swine, sheep, horses, wheat, grain and corn.

Minerals produced in Nueces County include oil, gas, cement, lime, sand and gravel. The Corpus Christi Ship Channel handled 82 million tons of cargo in 2010. Crude oil and gasoline were the leading inbound and outbound commodities in 2010, respectively. This makes it the second largest port in the State of Texas and the fifth largest port in the Nation. Tourist are attracted by the mild winter climates, Padre Island National Seashore and the Texas State Aquarium.

Labor Force Statistics ⁽¹⁾

	<u>2021⁽²⁾</u>	<u>2020⁽³⁾</u>	<u>2019⁽³⁾</u>	<u>2018⁽³⁾</u>	<u>2017⁽³⁾</u>
Civilian Labor Force	164,974	163,920	166,967	167,819	167,972
Total Employed	154,196	149,232	160,110	159,957	158,821
Total Unemployed	10,778	14,688	6,857	7,862	9,151
% Unemployment	6.5%	9.0%	4.1%	4.7%	5.4%
Texas Unemployment	5.3%	7.6%	3.5%	3.9%	4.3%

(1) Source: Texas Workforce Commission.

(2) As of August 2021.

(3) Average Annual Statistics.

SAN PATRICIO COUNTY

San Patricio County (the "County") was created in 1836 and reorganized in 1847. The county seat is Sinton, Texas. The economy is based on oil, petrochemicals, and manufacturing. The Texas Almanac designates cotton, grain sorghum, beef cattle and corn as principal sources of agricultural income.

Ground transportation the County is provided by Interstate 37 to Interstate 10 in San Antonio, U.S. Highway 77 to the Rio Grande Valley to the south and Victoria to the north, U.S. Highway 59 in Victoria to Houston, Interstate 37 connects State Highway 44 and U.S. Highway 59 to Laredo, and U.S. Highway 281 is in close proximity to provide a link to the Rio Grande Valley. Waterway transportation is provided by the Intracoastal Gulf Waterway, which bisects Corpus Christi Bay and connects the region to the U.S. inland waterway system, The Corpus Christi Channel, and the La Quinta Ship Channel, which provides access to industries located in the County. Air service is provided by the Corpus Christi International Airport, San Patricio County Airport and the T.P. McCampbell General Aviation Airport. BNSF Railway, Texas Mexican Railway, and Union Pacific Railway provide rail service to the County.

Foreign Trade Zone

The Port of Corpus Christi is located mid-way along the Texas coast on the Gulf of Mexico (approximately 150 miles north of the United States/Mexico border). The Port of Corpus Christi operates one of the country's best-run Foreign Trade Zones. Foreign Trade Zone No 122 (includes San Patricio County) is one of the largest in the United States and consists of six general purpose sites, six oil refinery subzones and four non-refinery subzones and 16,000 acres. A Foreign Trade Zone (FTZ) is a site within the United States in or near a U.S. Customs Port of Entry, where foreign a domestic merchandise is generally considered to be international commerce. Foreign or domestic merchandise may enter this enclave without a formal customs entry or the payment of custom duties or government excise taxes. Merchandise entering a zone may be:

Stored	Displayed	Assembled	Tested
Repaired	Manufactured	Sampled	Mixed
Salvaged	Manipulated	Relabeled	Cleaned
Destroyed	Repackaged	Processed	

Shipping through the Port of Corpus Christi provides:

- 45' channel depth
- More than 125 acres of open storage and fabrication sites
- Heavy lift capabilities
- Dockside rail from multiple carriers
- Excellent highway access
- Flexible and productive labor force
- More than 295,500 sq. ft. of covered dockside storage

The Port's modern multi-purpose facilities are ideal for a variety of cargoes, and the warm, arid climate creates the perfect setting for year-round operations.

Labor Force Statistics ⁽¹⁾

	<u>2021⁽²⁾</u>	<u>2020⁽³⁾</u>	<u>2019⁽³⁾</u>	<u>2018⁽³⁾</u>	<u>2017⁽³⁾</u>
Civilian Labor Force	29,464	29,221	29,764	30,078	30,565
Total Employed	27,015	26,223	28,135	28,163	28,204
Total Unemployed	2,449	2,998	1,629	1,915	2,361
% Unemployment	8.3%	10.3%	5.5%	6.4%	7.7%
Texas Unemployment	5.3%	7.6%	3.5%	3.9%	4.3%

(1) Source: Texas Workforce Commission.

(2) As of August 2021.

(3) Average Annual Statistics.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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November 4, 2021

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

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DRAFT

IN REGARD to the authorization and issuance of the “City of Aransas Pass, Texas General Obligation Refunding Bonds, Taxable Series 2021” (the *Bonds*), dated October 1, 2021, in the aggregate principal amount of \$_____ we have reviewed the legality and validity of the issuance thereof by the City Council of the City of Aransas Pass, Texas (the *Issuer*). The Bonds are issuable in fully registered form only, in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Bonds have Stated Maturities of February 1 in each of the years 2022 through 2028. The Bonds are not subject to redemption prior to their Stated Maturity. Interest on the Bonds accrues from the dates, at the rates, in the manner, and is payable on the dates, all as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Bonds. 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 Bonds under the laws of the State of Texas 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. We 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 Bonds. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Bonds. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Bonds 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 Bonds, including the Ordinance, the Judgment (as defined in the Ordinance) and the release of the Judgment; (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 Bonds 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 Bonds 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, Norton Rose Fulbright South Africa (incorporated as Deneys Reitz, Inc.), each of which is a separate legal entity, are members of Norton Rose Fulbright Verein, a Swiss Verein. Details of each entity, with certain regulatory information, are at nortonrosefulbright.com. Norton Rose Fulbright Verein helps coordinate the activities of the members but does not itself provide legal services to clients.

Legal Opinion of Norton Rose Fulbright US LLP, Austin, Texas, in connection with the authorization and issuance of “CITY OF ARANSAS PASS, TEXAS GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021”

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that the Bonds have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Bonds 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 Bonds are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer.

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; 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

APPENDIX D

**EXCERPTS FROM THE CITY'S AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

**(Not intended to be a complete statement of the Issuer's financial condition.
Reference is made to the complete Annual Financial Report for further information.)**

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Independent Auditor's Report

To the Honorable Mayor, Members of the City Council and
City Manager of the City of Aransas Pass, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Aransas Pass, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Aransas Pass, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 9-20 and other required supplemental information on pages 53-56 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 Aransas Pass, Texas's basic financial statements. The introductory section, combining and individual nonmajor 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 nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the audit procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respect, 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 financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



Brenda P. McElwee, P.C.
March 11, 2021

Management's Discussion and Analysis

MANAGEMENT’S DISCUSSION AND ANALYSIS

Our discussion and analysis of the City of Aransas Pass’s financial performance provides an overview of the City’s financial activities for the fiscal year ended September 30, 2020. Please read it in conjunction with the City’s financial statements, which begin on page 22.

FINANCIAL HIGHLIGHTS

City’s Change in Net Position – Governmental and Business-Type Activities

Total government-wide net position increased \$7,030,704 as a result of this year’s operations—before prior period adjustments related to the adoption of GASB No. 68 and GASB No. 75. Net Position of Governmental-type activities increased \$9,535,631 while net position of business-type activities decreased \$2,504,947.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities (on pages 22 and 23) provide information about the activities of the City as a whole and present a longer-term view of the City’s finances. Fund financial statements start on page 24. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the City’s operations in more detail than the government-wide statements by providing information about the City’s most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the City as a Whole

The Statement of Net Position and the Statement of Activities

One of the central concerns in assessing any City’s finances is summarized in the question, “Is the City as a whole better off or worse off as a result of the year’s activities?” Our analysis addressing this question begins on page 12. The analysis includes a condensed summary of the government-wide financial statements – The Statement of Net Position and the Statement of Activities, which present information about the City in a way that facilitates answering this question. These statements are presented much like the private-sector companies – including all assets and liabilities using the accrual basis of accounting. All revenues and expenses for the current year are reported without regard to when cash is received or paid.

These government-wide financial statements report both net position and changes thereto. Net position is reported in the Statement of Net Position. The City’s net position, which is the difference between assets and liabilities, is one indicator of the City’s financial well-being or financial position at one point in time. Increase or decreases to net position over a period of time is an indication of whether its financial well-being is improving or deteriorating. Of course, other non-financial considerations enter into the determination of the City’s overall health, which would include such things as changes in the City’s property tax base and the condition of its streets.

Changes to net position are reported in the Statement of Activities, which divides all City functions into two categories:

Governmental activities – Most of the City’s basic services are reported in this category, which includes public safety (including police and fire), highways and streets, health and welfare, culture and recreation and general administration. These activities are primarily supported by sales and property taxes and franchise fees.

Business-type activities – Certain service that the City provides are paid for from fees that are charged to customer. Water, wastewater, harbor rentals, civic center and the aquatic center are activities that are reported in this category.

Reporting the City’s Most Significant Funds

Fund Financial Statements

Our analysis of the City’s major funds commences on page 14. The fund financial statements are presented on pages 24 through 30. These statements present detailed information about the City’s more significant funds as opposed to the City as a whole. Funds are established for various reasons – some are required by state law; others, by bond covenants. Some funds are established by the City Council to assist in managing money that is to be spent for particular purposes. For example, the Aquatic Center Fund was established to demonstrate that money received for the operation of the Pool were used for that purpose. The city has two categories of funds, which can be used for public purpose – governmental and proprietary. Each category uses a different accounting approach.

Governmental funds – Most of the City’s basic services are reported in governmental funds. These funds focus on the flow of money into and out of the funds and the balance left over at the end of the year that is available for future spending. Governmental funds use a method of accounting called modified accrual. The purpose of this method is to measure cash and other financial assets that can readily be converted to cash. This approach provides a detailed short-term perspective of the City’s general government operations and the basic service it provides. This view of the City’s operations provides information that helps to determine the extent to which financial resource are available to spend in the near future to finance City programs. The relationship between these governmental fund financial statements and the governmental activities column shown in the government-wide financial statements is shown in the form of a reconciliation presented on the page following each governmental fund financial statement.

Proprietary funds – Service provided to either outside customers or to another unit of the City, where a fee is charged, are generally reported in proprietary funds. Proprietary funds are reported the same way that is used in the government-wide financial statements. Matter of fact, the City’s enterprise funds (a component of proprietary funds) are substantially the same as the business-type activities column of the government-wide financial statements but provides more detail including cash flows.

THE CITY AS A WHOLE

The City's Condensed Statement of Net Position is presented in Table 1 and Changes in Net position is presented in Table 2.

Table 1
Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 9,914,226	\$ 7,404,352	\$ 4,730,194	\$ 4,091,362	\$ 14,644,420	\$ 11,495,714
Capital Assets	30,024,523	24,953,594	11,416,916	12,115,787	\$ 41,441,439	\$ 37,069,381
Total Assets	39,938,749	32,357,946	16,147,110	16,207,149	\$ 56,085,859	\$ 48,565,095
Deferred Outflows of Resources	853,853	32,645	132,601	5,761	\$ 986,454	\$ 38,406
Long-Term Liabilities Outstanding	15,000,868	16,549,815	5,949,478	6,783,826	\$ 20,950,346	\$ 23,333,641
Other Liabilities	(426,151)	1,907,395	3,248,630	3,008,836	\$ 2,822,479	\$ 4,916,231
Total Liabilities	14,574,717	18,457,210	9,198,108	9,792,662	\$ 23,772,825	\$ 28,249,872
Deferred Inflows of Resources	616,964	227,345	93,045	40,123	\$ 710,009	\$ 267,468
Net Position:						
Net Investment, Capital Assets	14,594,736	7,703,974	5,121,916	5,185,787	\$ 19,716,652	\$ 12,889,761
Restricted	4,324,683	4,764,504	-	-	\$ 4,324,683	\$ 4,764,504
Unrestricted (Deficit)	(111,738)	(1,029,451)	1,866,642	1,194,338	\$ 1,754,904	\$ 164,887
Total Net Position	\$ 18,807,681	\$ 11,439,027	\$ 6,988,558	\$ 6,380,125	\$ 25,796,239	\$ 17,819,152

Table 2
Changes in Net Position

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 2,920,173	\$ 2,767,248	\$ 4,853,952	\$ 4,860,140	\$ 7,774,125	\$ 7,627,388
Grants	3,792,228	5,187,329	11,092	-	3,803,320	5,187,329
General Revenues						
Property Taxes	5,115,143	4,450,969	-	-	5,115,143	4,450,969
Sales Tax	4,857,786	4,356,224	-	-	4,857,786	4,356,224
Other Taxes	678,901	370,980	-	-	678,901	370,980
Other General Revenues	755,895	751,020	3,324	24,440	759,219	775,460
Total Revenues	18,120,126	17,883,770	4,868,368	4,884,580	22,988,494	22,768,350
Program Expenses						
General government	1,865,494	2,191,976		-	1,865,494	2,191,976
Public Safety	5,241,321	4,966,908		-	5,241,321	4,966,908
Public Works	1,509,896	7,243,929		-	1,509,896	7,243,929
Sanitation, Health and Welfare	1,725,158	1,266,108		-	1,725,158	1,266,108
Tourism	177,586	251,983		-	177,586	251,983
Culture and Recreation	492,841	594,561		-	492,841	594,561
Interest on Long Term Debt	542,385	542,267	190,289	218,313	732,674	760,580
Water and Sewer	-	-	3,490,873	3,680,379	3,490,873	3,680,379
Harbor	-	-	207,706	230,082	207,706	230,082
Aquatic Center	-	-	234,072	354,097	234,072	354,097
Civic Center	-	-	266,293	263,789	266,293	263,789
Hurricane Recovery	-	-	13,876	-	13,876	-
Total Expenses	11,554,681	17,057,732	4,403,109	4,746,660	15,957,790	21,804,392
Excess (Deficiency) Before Special Items and Transfers	6,565,445	826,038	465,259	137,920	7,030,704	963,958
Transfers	(143,174)	(149,856)	143,174	149,856	-	-
Removal of obsolete capital assets	-	-	-	-	-	-
Insurance proceeds	-	253,427	-	-	-	253,427
Increase (Decrease) in Net Position	6,422,271	929,609	608,433	287,776	7,030,704	1,217,385
Net Position - Beginning	\$ 11,439,027	\$ 14,258,230	\$ 6,380,125	\$ 6,482,157	\$ 17,819,152	\$ 20,740,387
Prior period adjustment	946,383	(3,748,812)		(389,808)	946,383	(4,138,620)
Net Position - Ending	\$ 18,807,681	\$ 11,439,027	\$ 6,988,558	\$ 6,380,125	\$ 25,796,239	\$ 17,819,152

Governmental Activities

Total revenues generated from governmental activities this year amounted to \$18,120,126 while expenses totaled \$11,554,681.

The cost of all governmental activities this year was \$11,554,681. However, as shown on the Statement of Activities on page 23, the amount that our taxpayers ultimately financed for these activities through taxes and other general revenues was \$4,842,280. \$2,920,173 was generated from charges for services by those who directly benefited from them while \$3,792,228 was received in the form of grant proceeds, bond funds, construction funds and by other governments that subsidized certain programs with grants.

Business-type Activities

Total revenues generated from business-type activities this year amounted to \$4,865,044 while expenses totaled \$4,389,233, resulting in \$475,811 as an increase to net position before transfers and other non-operating expenses. Interest expense and agent fees totaled \$190,289 to bring an overall decrease of \$2,504,947 in net position of the business-type activities.

Table 3 presents the cost of each of the City’s five largest programs as well as each program’s net cost (total cost less revenues generated by the activities). The net cost shows the financial burden that was placed on the City’s taxpayers by each of these functions.

**Table 3
Governmental Activities**

	Total Cost of Services		Net Cost of Services	
	2020	2019	2020	2019
Public Safety	\$ 5,241,321	\$ 4,966,908	\$ 4,975,055	\$ 4,645,888
General Government	1,865,494	2,191,976	1,865,494	2,191,976
Public Works	1,509,896	7,243,929	(2,831,466)	1,689,070
Sanitation, Health and Welfare	1,725,158	1,266,108	(136,613)	(546,001)
Culture and Recreation	492,841	594,561	492,841	594,561
Total	\$ 10,834,710	\$ 16,263,482	\$ 4,365,311	\$ 8,575,494

THE CITY’S FUNDS

As a result of this year’s operation, governmental funds (as reflected in the balance sheet on page 24) produced a combined fund balance of \$9,059,607, an increase of \$2,598,063 (before prior period adjustments) from last year. The increase in fund balance is a result of grants and FEMA reimbursements.

Governmental Funds – A Detailed Discussion

Revenues and Transfers In

The following table presents a summary of total governmental funds' revenues for the years ended September 30, 2020 and 2019.

Table 4
Revenues and Transfers-In

Revenues and Transfers-In	2020 Amount	% of Total	2019 Amount	Amount of Increase (Decrease)	% Increase (Decrease)
Property Taxes	5,115,143	30.60%	4,450,969	664,174	12.98%
Other Taxes	5,536,687	33.12%	4,993,793	542,894	9.81%
Licenses and Permits	549,134	3.28%	486,800	62,334	11.35%
Intergovernmental	339,516	2.03%	408,312	(68,796)	-20.26%
Charges for Services	1,861,771	11.14%	1,812,109	49,662	2.67%
Fines and Forfeitures	266,266	1.59%	201,750	64,516	24.23%
Other	444,407	2.66%	461,978	(17,571)	-3.95%
Transfers In	2,603,832	15.58%	939,319	1,664,513	63.93%
Total	16,716,756	100.00%	13,755,030	2,961,726	100.75%

Taxes

Property Taxes

Property Taxes increased from \$4,450,969 to \$5,115,143, an increase of \$664,174.

Sales and Other Taxes

This year's reported sales and other taxes decreased from \$4,993,793 to \$4,857,786, a decrease of \$136,007. This decrease is a leveling-off effect from prior years inflated sales tax due to Hurricane Harvey.

Miscellaneous

Miscellaneous revenues totaling \$359,798 largely consists of rents and royalties, interest, sale of surplus/obsolete machinery and equipment, and Industrial Development District payments in lieu of property taxes.

Table 5
Expenditures and Transfers-Out

Expenditures and Transfers-Out	2020 Amount	% of Total	2019 Amount	% Change
General Government	\$ 1,594,937	8.53%	\$ 1,962,511	9.30%
Public Safety	4,700,207	25.15%	4,507,977	21.35%
Public Works	1,374,618	7.35%	6,922,677	32.79%
Sanitation, Health and Welfare	1,297,243	6.94%	1,243,161	5.89%
Culture and Recreation	465,785	2.49%	479,828	2.27%
Tourism	177,586	0.95%	251,983	1.19%
Capital Outlay	6,500,526	34.78%	2,332,376	11.05%
Debt Service:				
Principal	1,819,823	9.74%	1,819,192	8.62%
Interest and Fiscal Charges	512,409	2.74%	502,608	2.38%
Transfers-Out	247,224	1.32%	1,089,175	5.16%
Total	\$ 18,690,358	100.00%	\$ 21,111,488	100.00%

Fund Balance-all Governmental Funds

Combined fund balance for all of the governmental fund types increased from \$6,632,002 to \$5,946,227 a decrease of \$685,775.

General Fund

Revenue of the general fund totaled \$9,385,507. Expenditures and transfers-out amounted to \$10,307,350 and \$986,156, respectively, aggregating to \$11,293,506.

Aransas Pass Municipal Development District Fund (APMDD)

The fund balance of the Aransas Pass Municipal Development District Fund increased from \$976,709 to \$1,384,664, an increase of \$407,955. The main funding source for the APMDD is a ½ cent sales tax. Although APMDD is a separate legal entity, it is reported as a blended component unit in the financial statements. The District provides financing services to the City including payment of debt and funding civic center losses.

Aransas Pass Crime Control and Prevention District Fund (APCCPD)

The fund balance of the Aransas Pass Crime Control and Prevention District Fund increased from \$1,571,041 to \$1,746,414, an increase of \$175,373. The main funding source for the APCCPD is a ½ cent sales tax. In May 2019, voters approved the continuation of the ½ cent sales tax for APCCPD for the next 10 years. Although APCCPD is a separate legal entity, it is reported as a blended component unit in the financial statements. The APCCPD provides funds and safety equipment for the police department.

Debt Service Fund

The fund balance increased from \$206,532 to \$487,671. This was a result of transfers in from other funds.

PROPRIETARY FUNDS

Enterprise Funds

Water and Sewer Fund

The City's enterprise operations consist of the Water and Sewer Fund, Harbor Fund, Civic Center and Aquatic Center.

Operating revenues for the Water and Sewer Fund were \$4,460,574, an increase of \$224,061 over prior year. Operating expenses were \$3,490,873 which is \$191,327 less than prior year.

Consumption

Historical consumption and its percentage increase (decrease) from the previous year, over the last three years, are presented in the following table:

**Table 6
Water Consumption**

Fiscal Year	2019-2020	2018-2019	% Increase (Decrease)	2017-2018	% Increase (Decrease)
Total Consumption	530,644,000	560,025,600	-5.25%	616,386,000	-9.14%

**Table 7
Growth (Reduction) in Customer Base
Utility System Fund**

Fiscal Year	2019-2020	2018-2019	% Increase (Decrease)	2017-2018	% Increase (Decrease)
Total Meter Connections	4,421	4,238	4.32%	4,019	5.45%

Harbor Fund

The Harbor Fund is funded with rental revenue. Revenues for the Harbor totaled \$316,374 which is a decrease of \$50,571 from the prior year. Operating expenses for the same period were \$206,739, which is \$21,522 less than the prior year.

Aquatic Center

The Aquatic Center is funded with revenue from admissions, passes, rentals, instructional classes and concessions. Revenues for the Aquatic Center totaled \$11,087, which is \$177,016 less than revenues from the prior year. Operating expenses for the same period were \$234,072, which is \$120,025 less than was expended in the prior year.

Civic Center

The Civic Center is funded with revenue from rentals. Revenues for the Civic Center totaled \$65,917, which is \$2,662 less than revenues from prior year. Operating expenses for the same period were \$266,293, which is \$2,504 more than was expended in the prior year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the fiscal year, the City had \$41,441,443 in capital assets.

Table 8

Capital Assets at Year-end (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Land	\$ 7,507,865	\$ 7,507,865	\$ 397,778	\$ 397,778	\$ 7,905,643	\$ 7,905,643
Construction in Progress	6,771,210	1,781,793	55,156	700,993	6,826,366	2,482,786
Buildings and Improvements	5,501,224	5,725,082	-	-	5,501,224	5,725,082
Improvements other than buildings	1,010,272	1,143,968	779,984	779,984	1,790,256	1,923,952
Machinery and equipment	1,592,453	1,617,733	600,198	768,555	2,192,651	2,386,288
Vehicles	798,907	606,727	173,157	338,344	972,064	945,071
Infrastructure	6,842,592	6,570,426	9,410,647	9,130,133	16,253,239	15,700,559
Totals	\$ 30,024,523	\$ 24,953,594	\$ 11,416,920	\$ 12,115,787	\$ 41,441,443	\$ 37,069,381

The City began accounting for infrastructure for Governmental Activities in 2006 as required by GASB 34. Prior to 2006, infrastructure for Governmental Activities was expensed in accordance with the accounting rules in effect at that time.

Debt Administration

The City of Aransas Pass is authorized to issue bonds, for any purpose for which a city may issue bonds under the constitution and laws of the State of Texas.

Type of Debt Issued

The types of debt the City has issued are revenue bonds, general obligation refunding bond, and combination tax and revenue certificates of obligation. At September 30, 2020, the City had no bonds of any type approved that had not been issued.

Bond Ratings

The City's bond rating as of last issue from Standard and Poor's was AA-.

Bonds Outstanding

At the end of the fiscal year, the City had \$21,610,000 in bonds outstanding as shown in Table 9.

Table 9

Outstanding Debt at Year-end

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
General Obligation Bonds (backed by the City)	\$ 11,135,000	\$ 13,040,000	\$ 5,475,000	\$ -	\$ 16,610,000	\$ 13,040,000
Revenue Bonds (Backed by specific tax and fee revenues)	4,180,000	2,585,000	820,000	6,930,000	5,000,000	9,515,000
Totals	\$ 15,315,000	\$ 15,625,000	\$ 6,295,000	\$ 6,930,000	\$ 21,610,000	\$ 22,555,000

ECONOMIC FACTORS AND NEXT YEAR’S BUDGETS AND RATES

The economic outlook for Aransas Pass remains bright. Even stronger than last year. The recovery from Hurricane Harvey is winding down. Many millions in FEMA recovery dollars are now invested in our community. The new \$1.7M state-of-the-art water tower is just one example. The \$2M bulkhead repair work is another. There are many more. Even during the Pandemic, sales tax and ad valorem tax revenues have continued to perform well. A city does not grow economically until it has the rooftops. That means homes. New homes are being built in subdivisions. Homes are being built to replace many of those destroyed or damaged by Hurricane Harvey. The apartment complexes which were shut down by Hurricane Harvey are now open. An attractive apartment complex opened on Wheeler Avenue.

New hotels have been built and are under construction. A new Motel 6 at the City’s entrance now is being built. The new Candlewood Suites have renovated and are now open. The City first multiplex movie theater has survived COVID and is showing first run shows. It is attracting movie goers from throughout the region. A Starbucks is under construction. It is anticipated that a major nationally recognized retail store will be moving into the old Beall’s facility. This business should be a major sales tax producer for Aransas Pass.

The ad valorem tax is our major source of revenue. Property valuations are regaining their post-Harvey dip, caused by damaged or destroyed businesses, apartments and homes. The number of water and sewer customers has rebounded and surpassed pre-Harvey numbers. In the water Account, in 2017 before the hurricane, we had 3,958 customers. In 2021 we have 4,474. That is a 516 household increase which translates into two to three people per household.

Sales taxes are our second largest source of revenue. While many cities had sales tax declines during the pandemic, Aransas Pass had no such decline. In fact, we had sales tax increases. As stated above a new business is expected to begin operation in town that will assist sales tax revenue even more.

Since Hurricane Harvey, it has become clear that within our city limits, an economic tripartite is the Aransas Pass foundation. Those three parts are (1) recreational fishing and tourism; (2) residential and (3) retail. It is anticipated that much of our future economic growth will develop and prosper in these three areas.

As has been the case for the past few years, City staff continues to work hard to keep expenditures down, while providing citizens quality services. At the annual budget workshop meetings, each department head goes before the City Council to defend his departmental budget. Consequently, department heads have gained an understanding of the overall budgeting process.

In sum, economic activity in our area is booming within a 12 mile radius of our city. All of this industry has brought growth to our area and our city and people are now seeing Aransas Pass as a great place to live.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to inform the citizens, taxpayers and customers of the City of Aransas Pass as well as its investors and creditors about the City's finances and to provide accountability for the public support that it receives. If you have any questions about the report or need additional financial information, contact the Finance Director's Office at the City of Aransas Pass, 600 W. Cleveland, Aransas Pass, Texas 78336.

The City's Basic Financial Statements start on page 21

Basic Financial Statements

City of Aransas Pass, Texas
Statement of Net Position
September 30, 2020

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 2,935,795	\$ 391,200	\$ 3,326,995
Receivables, net of allowance for uncollectible amounts			
Accounts	-	923,414	923,414
Occupancy taxes	85,390	-	85,390
Sales taxes	207,019	-	207,019
Other receivables	150,217	-	150,217
Intergovernmental	154,431	-	154,431
Internal Balances	(3,396,620)	283,240	(3,113,380)
Prepays	400,990	-	400,990
Restricted Assets:			
Cash and cash equivalents	5,116,411	-	5,116,411
Investments	679,926	-	679,926
Sales tax receivable	184,047	-	184,047
Capital assets not being depreciated:			
Land	7,507,865	397,778	7,905,643
Construction in progress	6,771,210	55,156	6,826,366
Capital assets being depreciated:			
Depreciable buildings, machinery and equipment	27,614,990	23,912,584	51,527,574
Less: Accumulated depreciation	<u>(11,869,542)</u>	<u>(12,948,602)</u>	<u>(24,818,144)</u>
Total assets	<u>36,542,129</u>	<u>13,014,770</u>	<u>49,556,899</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	835,162	129,797	964,959
Deferred outflows related to OPEB	<u>18,691</u>	<u>2,804</u>	<u>21,495</u>
Total deferred outflows of resources	<u>853,853</u>	<u>132,601</u>	<u>986,454</u>
LIABILITIES			
Accounts payable and other current liabilities	993,827	251,641	1,245,468
Accrued interest payable	29,976	30,107	60,083
Unearned revenue	-	445,002	445,002
Customer deposits	-	1,831,072	1,831,072
Current portion of long-term liabilities:			
Long-term debt	1,882,393	665,102	2,547,495
Compensated absences	64,273	6,746	71,019
Long-term liabilities, excluding current portion:			
Long-term debt	13,547,394	5,668,303	19,215,697
Compensated absences	192,819	20,235	213,054
Net pension liability	1,253,913	221,279	1,475,192
OPEB liability	<u>6,742</u>	<u>39,661</u>	<u>46,403</u>
Total liabilities	<u>17,971,337</u>	<u>9,179,148</u>	<u>27,150,485</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	611,622	91,745	703,367
Deferred inflows related to OPEB	<u>5,342</u>	<u>1,300</u>	<u>6,642</u>
Total defred inflows of resources	<u>616,964</u>	<u>93,045</u>	<u>710,009</u>
NET POSITION			
Net Investment In Capital Assets	14,594,736	5,121,916	19,716,652
Restricted for:			
Public Library	76,149	-	76,149
Debt Service	487,671	-	487,671
Municipal Development	1,384,664	-	1,384,664
Law Enforcement	1,746,414	-	1,746,414
Tourism	183,355	-	183,355
Emergency Services	390,378	-	390,378
Municipal Court Building Security	36,062	-	36,062
Municipal Court Technology	11,610	-	11,610
Municipal Court Truancy	2,160	-	2,160
Municipal Court Jury	43	-	43
PD Explorer	1,929	-	1,929
Scholarships	4,248	-	4,248
Unrestricted	<u>(111,738)</u>	<u>1,866,642</u>	<u>1,754,904</u>
Total net position	<u>\$ 18,807,681</u>	<u>\$ 6,988,558</u>	<u>\$ 25,796,239</u>

City of Aransas Pass, Texas

Statement of Activities For the Year Ended September 30, 2020

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Primary Government:							
Governmental activities:							
General government	\$ 1,865,494	\$ -	\$ -	\$ -	\$ (1,865,494)	\$ -	\$ (1,865,494)
Public safety	5,241,321	266,266	-	-	(4,975,055)	-	(4,975,055)
Public works	1,509,896	549,134	3,792,228	-	2,831,466	-	2,831,466
Sanitation, health and welfare	1,725,158	1,861,771	-	-	136,613	-	136,613
Culture and recreation	492,841	-	-	-	(492,841)	-	(492,841)
Tourism	177,586	243,002	-	-	65,416	-	65,416
Interest and fiscal charges	542,385	-	-	-	(542,385)	-	(542,385)
Total governmental activities	11,554,681	2,920,173	3,792,228	-	(4,842,280)	-	(4,842,280)
Business-type activities:							
Water & Sewer	3,681,162	4,460,574	-	11,092	-	790,504	790,504
Harbor	207,706	316,374	-	-	-	108,668	108,668
Aquatic Center	234,072	11,087	-	-	-	(222,985)	(222,985)
Civic Center	266,293	65,917	-	-	-	(200,376)	(200,376)
Total business-type activities	4,389,233	4,853,952	-	11,092	-	475,811	475,811
Total primary government	\$ 15,943,914	\$ 7,774,125	\$ 3,792,228	\$ 11,092	(4,842,280)	475,811	(4,366,469)
General revenues:							
Property taxes					5,115,143	-	5,115,143
Sales taxes					4,857,786	-	4,857,786
Franchise taxes					355,490	-	355,490
Mixed beverage taxes					17,571	-	17,571
Industrial district					305,840	-	305,840
Intergovernmental					339,516	-	339,516
Rents and royalties					53,958	-	53,958
Insurance proceeds					214,974	-	214,974
Interest income					94,311	3,324	97,635
Donations					9,201	-	9,201
Other					43,935	(13,876)	30,059
Transfers, internal activity					(143,174)	143,174	-
Total general revenues and transfers					11,264,551	132,622	11,387,972
Change in net position					6,422,271	608,433	7,030,704
Net position-beginning of year					11,439,027	6,380,125	17,819,152
Prior period adjustment					946,383	-	946,383
Net position-beginning of year as restated					12,385,410	6,380,125	18,765,535
Net position-end of year					\$ 18,807,681	\$ 6,988,558	\$ 25,796,239

City of Aransas Pass, Texas

Balance Sheet Governmental Funds September 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Governmental Funds	Total
ASSETS PLUS DEFERRED OUTFLOWS OF RESOURCES							
Cash and cash equivalents	\$ 2,930,215	\$ -	\$ 4,422	\$ 1,058	\$ 100	\$ -	\$ 2,935,795
Receivables, net of allowances for uncollectible							
Delinquent property taxes	111,057	-	311,388	-	-	-	422,445
Occupancy taxes	-	-	-	-	-	85,390	85,390
Sales taxes	207,019	-	-	-	-	-	207,019
Intergovernmental	-	150,217	-	-	-	-	150,217
Other receivables	154,431	-	-	-	-	-	154,431
Prepaid expenses	-	990	-	400,000	-	-	400,990
Due from other funds	4,512,899	-	171,861	13,838	-	301,912	5,000,510
Noncurrent assets:							
Restricted cash and cash equivalents	586,045	2,073,927	-	772,190	1,377,137	307,112	5,116,411
Restricted investments	-	-	-	321,612	358,314	-	679,926
Sales tax receivable	-	-	-	91,425	92,622	-	184,047
Total assets	<u>\$ 8,501,666</u>	<u>\$ 2,225,134</u>	<u>\$ 487,671</u>	<u>\$ 1,600,123</u>	<u>\$ 1,828,173</u>	<u>\$ 694,414</u>	<u>\$ 15,337,181</u>
LIABILITIES PLUS DEFERRED INFLOWS OF RESOURCES							
Liabilities:							
Accounts payable	\$ 418,667	\$ 508,835	\$ -	\$ -	\$ -	\$ 66,321	\$ 993,823
Due to other funds	3,731,097	4,366,066	-	215,459	81,759	2,750	8,397,131
Total liabilities	<u>4,149,764</u>	<u>4,874,901</u>	<u>-</u>	<u>215,459</u>	<u>81,759</u>	<u>69,071</u>	<u>9,390,954</u>
FUND BALANCES							
Nonspendable							
Prepaid Expenses	-	-	-	400,000	-	-	400,000
Restricted for:							
Capital Projects	-	(2,649,767)	-	-	-	-	(2,649,767)
Municipal Development	-	-	-	984,664	-	-	984,664
Law Enforcement	-	-	-	-	1,746,414	-	1,746,414
Emergency Services Technology	-	-	-	-	-	390,378	390,378
Municipal Court Technology Fees	-	-	-	-	-	9,314	9,314
Municipal Court Building Security Fund	-	-	-	-	-	40,093	40,093
Municipal Court Truancy Fund	-	-	-	-	-	2,160	2,160
Municipal Court Jury Fund	-	-	-	-	-	43	43
Hotel Occupancy Tax Reserves	-	-	-	-	-	183,355	183,355
Library Overbid	76,149	-	-	-	-	-	76,149
Scholarship Fund	4,248	-	-	-	-	-	4,248
PD Explorer	1,929	-	-	-	-	-	1,929
Assigned	-	-	487,671	-	-	-	487,671
Unassigned	4,269,576	-	-	-	-	-	4,269,576
Total fund balances	<u>4,351,902</u>	<u>(2,649,767)</u>	<u>487,671</u>	<u>1,384,664</u>	<u>1,746,414</u>	<u>625,343</u>	<u>5,946,227</u>
Total liabilities and fund balances	<u>\$ 8,501,666</u>	<u>\$ 2,225,134</u>	<u>\$ 487,671</u>	<u>\$ 1,600,123</u>	<u>\$ 1,828,173</u>	<u>\$ 694,414</u>	<u>\$ 15,337,181</u>

City of Aransas Pass, Texas
Reconciliation of the Balance Sheet of Government Funds
to the Statement of Net Position
September 30, 2020

Total fund balances - governmental funds balance sheet	\$ 5,946,227
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,024,523
Property taxes receivable unavailable to pay for current period expenditures are unearned in the funds	(422,445)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.	
Notes and bonds payable	(15,429,787)
Compensated absences	(257,092)
Accrued interest on bonds	(29,979)
Pension liability	(1,253,913)
OPEB liability	(6,742)
Deferred outflows related to pensions	(616,964)
Deferred inflows related to OPEB	853,853
Net position of governmental activities - Statement of Net Position	<u><u>18,807,681</u></u>

City of Aransas Pass, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2020

	General Fund	Capital Projects Fund	Debt Service Fund	Aransas Pass Municipal Development District	Aransas Pass Crime Control & Prevention District	Other Non-Major Governmental Funds	Total
REVENUES							
Taxes							
Property taxes	\$ 3,119,902	\$ -	\$ 1,995,241	\$ -	\$ -	\$ -	\$ 5,115,143
Sales taxes	2,504,349	-	-	1,174,901	1,178,536	-	4,857,786
Franchise taxes	355,490	-	-	-	-	-	355,490
Mixed beverage taxes	17,571	-	-	-	-	-	17,571
Occupancy taxes	-	-	-	-	-	243,002	243,002
Licenses and permits	549,134	-	-	-	-	-	549,134
Intergovernmental	331,839	-	-	-	-	7,677	339,516
Charges for services	1,807,277	-	-	-	-	54,494	1,861,771
Rents and royalties	53,958	-	-	-	-	-	53,958
Industrial development district and PILT	305,840	-	-	-	-	-	305,840
Fines and forfeitures	159,662	-	-	-	-	-	159,662
Interest income	33,496	30,768	47	9,845	18,067	2,088	94,311
Drug forfeitures	106,604	-	-	-	-	-	106,604
Donations	9,201	-	-	-	-	-	9,201
Other	31,184	12,751	-	-	-	-	43,935
Total revenues	9,385,507	43,519	1,995,288	1,184,746	1,196,603	307,261	14,112,924
EXPENDITURES							
Current:							
General government	1,579,389	8,940	-	3,300	3,308	-	1,594,937
Public safety	4,596,033	6,715	-	-	-	97,459	4,700,207
Public works	1,371,659	2,959	-	-	-	-	1,374,618
Sanitation, health and welfare	1,297,243	-	-	-	-	-	1,297,243
Culture and recreation	465,785	-	-	-	-	-	465,785
Tourism	-	-	-	-	-	177,586	177,586
Debt service:							
Principal	-	-	1,389,823	430,000	-	-	1,819,823
Interest and fiscal charges	-	-	384,376	128,033	-	-	512,409
Capital outlay	976,042	5,524,484	-	-	-	-	6,500,526
Hurricane recovery	21,199	27,936	-	-	-	-	49,135
Total expenditures	10,307,350	5,571,034	1,774,199	561,333	3,308	275,045	18,492,269
Excess (deficiency) of revenues over under expenditures	(921,843)	(5,527,515)	221,089	623,413	1,193,295	32,216	(4,379,345)
OTHER FINANCING SOURCES (USES)							
Transfers in	-	-	60,050	-	-	44,000	104,050
Transfers out	986,156	-	-	(215,458)	(1,017,922)	-	(247,224)
Grants received	1,743,628	1,427,084	-	-	-	-	3,170,712
FEMA proceeds	-	621,516	-	-	-	-	621,516
Insurance proceeds	-	214,974	-	-	-	-	214,974
Total other financing sources and uses	2,729,784	2,263,574	60,050	(215,458)	(1,017,922)	44,000	3,864,028
Net change in fund balances	1,807,941	(3,263,941)	281,139	407,955	175,373	76,216	(515,317)
Fund balances-beginning of year	2,714,420	614,174	206,532	976,709	1,571,041	549,127	6,632,003
Prior period adjustment	(170,459)	-	-	-	-	-	(170,459)
Fund balances-beginning as restated	2,543,961	614,174	206,532	976,709	1,571,041	549,127	6,461,544
Fund balances-end of year	<u>\$ 4,351,902</u>	<u>\$ (2,649,767)</u>	<u>\$ 487,671</u>	<u>\$ 1,384,664</u>	<u>\$ 1,746,414</u>	<u>\$ 625,343</u>	<u>\$ 5,946,227</u>

City of Aransas Pass, Texas
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended September 30, 2020

Net change in fund balances - governmental funds	\$ (515,317)
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital outlays are not reported as expenses in the Statement of Activities.	6,500,526
The depreciation of capital assets used in governmental activities is not reported in the funds.	(1,352,785)
Repayment of long-term debt is an expenditure in the funds but is not an expense in the SOA.	1,819,823
Accrued interest expense is reported as an expense in the Statement of Activities but is not reported in the funds.	(29,976)
Change in net position of governmental activities - statement of activities	<u>\$ 6,422,271</u>

City of Aransas Pass, Texas

Exhibit A-7

Statement of Net Position

Enterprise Funds

September 30, 2020

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 381,229	\$ 9,971	\$ 391,200
Receivables (net)	909,702	13,712	923,414
Due from other funds	3,113,380	302,200	3,415,580
Total current assets	<u>4,404,311</u>	<u>325,883</u>	<u>4,730,194</u>
Noncurrent Assets:			
Capital assets:			
Land	397,778	-	397,778
Buildings, machinery and vehicles	20,274,651	3,637,933	23,912,584
Less accumulated depreciation	(10,119,675)	(2,828,927)	(12,948,602)
Construction in progress	-	55,156	55,156
Total noncurrent assets	<u>10,552,754</u>	<u>864,162</u>	<u>11,416,916</u>
Total assets	<u>14,957,065</u>	<u>1,190,045</u>	<u>16,147,110</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pensions	103,838	25,959	129,797
Deferred outflows related to OPEB	2,243	561	2,804
Total deferred outflows of resources	<u>106,081</u>	<u>26,520</u>	<u>132,601</u>
LIABILITIES			
Current liabilities:			
Accounts payable	226,808	24,833	251,641
Accrued interest payable	30,107	-	30,107
Customer deposits	1,831,072	-	1,831,072
Deferred revenue	-	445,002	445,002
Due to other funds	-	18,960	18,960
Compensated absences payable	3,459	3,287	6,746
Notes payable-current	-	10,102	10,102
Certificates of obligation payable-current	655,000	-	655,000
Total current liabilities	<u>2,746,446</u>	<u>502,184</u>	<u>3,248,630</u>
Noncurrent liabilities:			
Compensated absences	10,375	9,860	20,235
Net pension liability	177,023	44,256	221,279
Total OPEB liability	31,729	7,932	39,661
Bonds, notes, and loans payable	5,640,000	28,303	5,668,303
Total noncurrent liabilities	<u>5,859,127</u>	<u>90,351</u>	<u>5,949,478</u>
Total liabilities	<u>8,605,573</u>	<u>592,535</u>	<u>9,198,108</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pensions	73,394	18,351	91,745
Deferred inflows related to OPEB	1,039	261	1,300
Total deferred inflows of resources	<u>74,433</u>	<u>18,612</u>	<u>93,045</u>
NET POSITION			
Net invested in capital assets	4,257,754	864,162	5,121,916
Unrestricted	<u>2,125,386</u>	<u>(258,744)</u>	<u>1,866,642</u>
Total net position	<u>\$ 6,383,140</u>	<u>\$ 605,418</u>	<u>\$ 6,988,558</u>

The accompanying notes are an integral part of this statement.

City of Aransas Pass, Texas
Statement of Revenues, Expenses, and Changes in Net Position
Enterprise Funds
For the Year Ended September 30, 2020

	Enterprise Funds		
	Major Fund Water & Sewer Fund	Non-Major Funds	Total
OPERATING REVENUES			
Charges for services	\$ 4,460,574	\$ 393,378	\$ 4,853,952
Total operating revenue	4,460,574	393,378	4,853,952
OPERATING EXPENSES			
Personal services	628,465	336,279	964,744
Contractual services	214,983	16,239	231,222
Supplies	1,595,104	42,307	1,637,411
Maintenance	271,804	130,289	402,093
Administrative	54,408	3,337	57,745
Utilities	127,393	97,480	224,873
Advertising	-	1,455	1,455
Event expenses	-	557	557
Insurance	34,064	47,701	81,765
Depreciation and amortization	564,652	31,460	596,112
Total operating expenses	3,490,873	707,104	4,197,977
Operating income (loss)	969,701	(313,726)	655,975
NON-OPERATING REVENUES (EXPENSES)			
Grant proceeds	-	11,092	11,092
Interest income	3,324	-	3,324
Proceeds from sale of assets	23,743	-	23,743
Loss on disposition of assets	(37,619)	-	(37,619)
Interest expense and agent fees	(190,289)	(967)	(191,256)
Total nonoperating revenue (expenses)	(200,841)	10,125	(190,716)
Income (loss) before contributions and transfers	768,860	(303,601)	465,259
Transfers in	-	455,555	455,555
Transfers out	(182,381)	(130,000)	(312,381)
Change in net position	586,479	21,954	608,433
Total net position-beginning	5,796,661	583,464	6,380,125
Total net position-ending	\$ 6,383,140	\$ 605,418	\$ 6,988,558

City of Aransas Pass, Texas

Exhibit A-9

Statement of Cash Flows

Enterprise Funds

For the Year Ended September 30, 2020

	Major Fund Water & Sewer Fund	Non-Major Funds	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 4,548,497	\$ 407,638	\$ 4,956,135
Cash payments to suppliers for goods and services	(2,208,461)	(330,857)	(2,539,318)
Cash payments to employees for services	(769,057)	(364,559)	(1,133,616)
Net cash provided (used) by operating activities	1,570,979	(287,778)	1,283,201
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers-in from other funds	-	455,555	455,555
Transfers-out to other funds	(182,381)	(130,000)	(312,381)
(Increase) decrease in amounts due to other funds	(622,700)	(19,563)	(642,263)
Deferred inflows	42,338	10,584	52,922
Deferred outflows	(101,472)	(25,368)	(126,840)
Net cash provided (used) by non-capital financing activities	(864,215)	291,208	(573,007)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Net acquisition and construction of capital assets	(34,521)	(32,721)	(67,242)
Net disposition of capital assets	129,303	30,740	160,043
Principal paid on revenue bond maturities and equipment contracts	(635,000)	(11,574)	(646,574)
Interest paid of revenue bonds and equipment contracts	(190,289)	(967)	(191,256)
Proceeds from sale of equipment	23,743	-	23,743
Grant proceeds	-	11,092	11,092
Net cash provided (used) by financing activities	(706,764)	(3,430)	(710,194)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and dividends	3,324	-	3,324
Net cash provided (used) by investing activities	3,324	-	3,324
Net increase (decrease) in cash and cash equivalents	3,324	-	3,324
Cash and cash equivalents at beginning of year	377,905	9,971	387,876
Cash and cash equivalents at end of year	\$ 381,229	\$ 9,971	\$ 391,200
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	\$ 969,701	\$ (313,726)	\$ 655,975
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	564,652	31,460	596,112
Changes in assets and liabilities:			
Accounts receivable	17,151	8,564	25,715
Customer security deposits	70,772	5,696	76,468
Accounts payable	89,295	8,508	97,803
Pension liabilities	(139,883)	(34,971)	(174,854)
OPEB liabilities	4,780	1,194	5,974
Compensated absences	(5,489)	5,497	8
Total Adjustments	601,278	25,948	627,226
Net cash provided (used) by operating activities	\$ 1,570,979	\$ (287,778)	\$ 1,283,201

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

A. Summary of Significant Accounting Policies

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

The City of Aransas Pass, Texas was incorporated under the General Laws of the State of Texas on April 5, 1910, with said Charter having been amended (Home Rule City Act) on November 27, 1951. The city operates under a home rule charter with a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and parks and recreation, planning and social services, cultural-recreation, public improvements, planning and zoning, and general administrative services.

1. Reporting Entity

The City’s basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City’s reporting entity, as set forth in GASB Statement No. 14, “The Financial Reporting Entity,” include whether:

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

The city also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Blended Component Units

Blended component units provide services exclusively for the City, and/or their Board of Directors are substantially the same as the City Council. The following blended component units are reported:

Aransas Pass Municipal Development District

The Aransas Pass Municipal Development District (the District) was created pursuant to the provisions of Chapter 377 of the Texas Local Government Code by a general election on May 2, 1998. A ½ cent sales tax was approved by the voters to fund the District’s development projects. The City Council appoints all of the District’s board members and can remove them at will. Since the City appoints the board of directors, the District provides services to the exclusive benefit of the City, and makes debt service payments for the City; it has been reported as a blended component unit in a special revenue fund.

Aransas Pass Crime Control and Prevention District

In May 2009, the voters approved the creation of the Aransas Pass Crime Control and Prevention District which will be funded by a ½ cent sales tax. Board Members are appointed by the City Council. Although the District is legally separate from the City, the District will be reported as if it were part of the primary government because it is a financing mechanism for the City to provide public safety to the citizens of the City.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Bases of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

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

Aransas Pass Municipal Development Fund: This fund accounts for revenues and expenditures of the Aransas Pass Municipal Development District which is described above.

Aransas Pass Crime Control and Prevention District: This fund accounts for revenues and expenditures of the Aransas Pass Crime Control and Prevention District which is described above.

Debt Service Fund: This fund accounts for the resources accumulated and payments made for the principal and interest on long-term general obligation debt of the City.

Capital Projects Fund: This fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds.

The City reports the following major enterprise fund:

Water and Sewer Fund: This fund accounts for the operations of the City's water and sewer system.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

b. Measurement Focus, Basis of Accounting

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

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

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

c. Inventories and Prepaid Items

Inventories are valued at cost which approximates market, using first-in/first-out (FIFO) method. The costs of inventories are recorded as expenditures when used (consumption method).

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30
Buildings	30-40
Other Improvements	20-25
Machinery and Equipment	20-25
Water and Sewer System	30-50

e. Receivable and Payable Balances

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

There are no significant receivables which are not scheduled for collection within 12 months of year end.

f. Compensated Absences

The City allows employees to accumulate earned, but unused vacation which will be paid to employees upon separation for the City's service. This liability is accrued when incurred in the government-wide and proprietary fund financial statements.

g. 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.

h. Interfund Activity

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

i. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates.

j. Deferred Outflows and Inflows of Resources

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

k. Fund Balances-Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

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

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

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

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

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which restricted, committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of restricted, committed funds, and finally unassigned funds.

4. Budgetary Data

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

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.

Once a budget is approved, it can be amended only by the approval of a majority of the members of the City Council. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end. All budget appropriations lapse at year end.

The City Manager is authorized to transfer budget amounts between departments within any fund; however, any revisions that alter total appropriations must be approved by the City Council. Therefore, the level of budgetary responsibility is by total appropriations. For report purposes, this level has been extended to a functional basis (i.e. General Government, Public Safety, etc.).

The following funds have legally adopted budgets: General Fund, Aransas Pass Municipal Development District, and Aransas Pass Crime Control and Prevention District.

Unused appropriations for all of the above annually budgeted funds lapse at the end of the year.

Formal budgets are not adopted in the Capital Projects Funds. Effective budgetary control in these funds is achieved through individual project budgeting in conformance with the provisions of bond orders, grant awards and other sources.

5. Encumbrance Accounting

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the City.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

C. Deposits and Investments

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

Cash Deposits

At September 30, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,460,397 and the bank balance was \$2,448,194. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

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

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
TexPool	1 Day	\$ 4,582,035
Texas Class	1 Day	\$ 2,077,241
Gulf Coast Credit Union	3 months	\$ 214,544
Navy Army Credit Union	6 months	\$ 213,701
Security Services Credit Union	12 months	\$ 252,836
		<u>\$ 7,340,357</u>

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The City’s investment policy seeks to minimize credit risk by limiting the types and term of investments. The policy allows for investments in Public Fund Investment Pools described below which must have an AAA rating.

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

<u>Investment</u>	<u>Rating</u>	<u>Rating Agency</u>
TexPool	AAA	Standard and Poor’s
Texas Class	AAA	Standard and Poor’s

b. Custodial Credit Risk

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting its investments to TexPool, TexasClass and Certificates of Deposits.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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e. Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

Public fund investment pools in Texas ("Pools") are established under the authority of the interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA- or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

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

C. Capital Assets

Capital asset activity for governmental type activities for the year ended September 30, 2020:	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 7,507,865	\$ -	\$ -	\$ 7,507,865
Construction in progress	1,781,793	5,571,034	(581,617)	6,771,210
Total capital assets not being depreciated	<u>9,289,658</u>	<u>5,571,034</u>	<u>(581,617)</u>	<u>14,279,075</u>
Capital assets being depreciated:				
Buildings	8,651,052	-	-	8,651,052
Improvements other than buildings	3,768,190	-	-	3,768,190
Machinery and Equipment	4,017,766	508,987	(286,295)	4,240,458
Vehicles	1,520,258	513,115	(361,595)	1,671,778
Infrastructure	8,701,895	581,617	-	9,283,512
Total capital assets being depreciated	<u>26,659,161</u>	<u>1,603,719</u>	<u>(647,890)</u>	<u>27,614,990</u>
Less accumulated depreciation for:				
Buildings	2,925,970	223,858	-	3,149,828
Improvements other than buildings	2,624,222	133,696	-	2,757,918
Machinery and Equipment	2,400,033	429,058	(181,086)	2,648,005
Vehicles	913,531	256,721	(297,381)	872,871
Infrastructure	2,131,469	309,451	-	2,440,920
Total accumulated depreciation	<u>10,995,225</u>	<u>1,352,784</u>	<u>(478,467)</u>	<u>11,869,542</u>
Total capital assets being depreciated, net	<u>15,663,936</u>	<u>250,935</u>	<u>(169,423)</u>	<u>15,745,448</u>
Governmental activities capital assets, net	<u>\$ 24,953,594</u>	<u>\$ 5,821,969</u>	<u>\$ (751,040)</u>	<u>\$ 30,024,523</u>

CITY OF ARANSAS PASS, TEXAS
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Capital asset activity for business-type activities for the year ended September 30, 2020:	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-type activities:</u>				
Capital assets not being depreciated:				
Land, right of way	\$ 397,778	\$ -	\$ -	\$ 397,778
Construction in progress	700,993		(645,837)	55,156
Total capital assets not being depreciated	<u>1,098,771</u>	<u>-</u>	<u>(645,837)</u>	<u>452,934</u>
Capital assets being depreciated:				
Improvements other than buildings	3,547,564		-	3,547,564
Water and sewer system	17,620,340	645,837	-	18,266,177
Vehicles	742,587	67,245	(408,500)	401,332
Machinery and Equipment	1,705,630		(8,115)	1,697,515
Total capital assets being depreciated	<u>23,616,121</u>	<u>713,082</u>	<u>(416,615)</u>	<u>23,912,588</u>
Less accumulated depreciation for:				
Improvements other than buildings	2,767,580		-	2,767,580
Water and sewer system	8,490,207	365,323	-	8,855,530
Vehicles	404,243	62,432	(238,500)	228,175
Machinery and Equipment	937,075	168,357	(8,115)	1,097,317
Total accumulated depreciation	<u>12,599,105</u>	<u>596,112</u>	<u>(246,615)</u>	<u>12,948,602</u>
Total capital assets being depreciated, net	<u>11,017,016</u>	<u>116,970</u>	<u>(170,000)</u>	<u>10,963,986</u>
Business-type activities capital assets, net	<u>\$ 12,115,787</u>	<u>\$ 116,970</u>	<u>\$ (815,837)</u>	<u>\$ 11,416,920</u>

Depreciation was charged to functions as follows:

Governmental Activities:

General Government	\$ 270,557
Public Safety	\$ 541,114
Public Works	\$ 378,780
Public Health and Welfare	\$ 135,278
Culture and Recreation	\$ 27,056
	<u>\$1,352,784</u>

Business Type Activities:

Water and Sewer	\$ 564,652
Harbor	31,460
	<u>\$596,112</u>

CITY OF ARANSAS PASS, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2020

D. Interfund Balances and Activity

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

	<u>Receivable</u>	<u>Payable</u>	<u>Net</u>
Governmental Fund Types:			
Governmental Funds:			
General Fund	\$ 4,512,899	\$ (3,731,097)	781,802
Capital Projects Fund		(4,366,066)	(4,366,066)
Debt Service Fund	171,861		171,861
Aransas Pass Municipal Development District	13,838	(215,458)	(201,620)
Aransas Pass Crime Control & Prevention District		(81,759)	(81,759)
E911 Fund	248,616		248,616
Hotel Motel Tax Fund	47,619		47,619
Municipal Court Technology Fund		(2,750)	(2,750)
Municipal Court Building Security Fund	3,474		3,474
Municipal Court Truancy Fund	2,160		2,160
Municipal Court Jury Fund	43		43
	<u>\$ 5,000,510</u>	<u>\$ (8,397,130)</u>	<u>\$ (3,396,620)</u>
Proprietary Fund Types:			
Enterprise Funds:			
Water and Sewer Fund	\$ 3,113,380		3,113,380
Harbor Fund	47,077		47,077
Aquatics Fund		(18,960)	(18,960)
Civic Center	255,123		255,123
	<u>\$ 3,415,580</u>	<u>\$ (18,960)</u>	<u>\$ 3,396,620</u>

All amounts due are for short-term loans and are scheduled to be repaid within one year.

2. Transfers to and from other funds at September 30, 2020, consisted of the following:

<u>Transfers From:</u>	<u>Transfers To:</u>	<u>Amount</u>	<u>Reason:</u>
General Fund	Debt Service Fund	60,050	Debt service
General Fund	Aquatic Center Fund	238,116	To cover Aquatic Center losses
General Fund	Harbor Fund	1,981	Transfer vehicle
Harbor Fund	General Fund	130,000	Supplement sources of funds
APMDD*	Civic Center Fund	215,458	To cover Civic Center losses
APCCPD**	General Fund	973,922	Purchase police equipment
APCCPD**	E-911 Fund	44,000	Crime Prevention Grants
	Total	<u>\$ 1,663,527</u>	

* Aransas Pass Municipal Development District

** Aransas Pass Crime Control and Prevention District

E. Long-Term Obligations

1. Long-Term Obligation Activity

The City issues general obligation and revenue bonds, certificates of obligation, and tax notes to provide funds for the acquisition and construction of major capital facilities. General obligation bonds and certificates of obligation have been issued for both governmental and proprietary activities. Revenue bonds have been issued for only proprietary activities. Bonds and certificates of obligation are reported in proprietary funds if they are expected to be repaid from proprietary revenues.

CITY OF ARANSAS PASS, TEXAS
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Outstanding bonds, certificates of obligation and tax notes consisted of the following at September 30, 2020:

<u>Bonded Debt</u>	<u>Interest Rate</u>	<u>General Long- Term Debt</u>	<u>Enterprise Fund Debt</u>	<u>Total</u>
Combination Tax and Subordinate Lien Revenue Certificates of Obligation, Series 2005	3.5% - 3.75%	-	350,000	350,000
General Obligation Refunding Bonds, Series 2007	4.025%	1,680,000	-	1,680,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2012	2.0 - 3.0%	-	2,855,000	2,855,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2014	2.0 - 3.6%	4,165,000	2,270,000	6,435,000
Certificates of Obligation, Series 2015	1.89%	460,000	-	460,000
General Obligation Refunding Bonds, Series 2016	2.119% - 3.590%	3,065,000	-	3,065,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2016	3.00%	2,415,000	-	2,415,000
Tax Notes, Series 2018	2.49%	310,000	820,000	1,130,000
\$2,205,000 General Obligation Refunding Bonds, Series 2018	2.83%	1,765,000	-	1,765,000
\$1,455,000 Tax Notes, Series 2019	2.57%	1,455,000	-	1,455,000
<u>Notes Payable</u>				
Note Payable Southside Bank, Asphalt Paver	3.08%	114,787	-	114,787
Note Payable Prosperity Bank, Haynie Boat	3.99%	-	10,102	10,102
Note Payable Prosperity Bank, Harbor Master Truck	3.54%	-	28,302	28,302
		<u>\$ 15,429,787</u>	<u>\$ 6,333,404</u>	<u>\$ 21,763,191</u>

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

	Beginning			Ending	Amounts
	Balance	Increases	Decreases		Due Within
				Balance	One Year
Governmental activities:					
General bonded debt	\$ 17,080,000	\$ -	\$ 1,765,000	\$ 15,315,000	\$ 1,990,000
Note payable-paver	169,620	-	54,833	114,787	69,326
Pension liability	2,244,756	1,561,771	2,552,614	1,253,913	37,617
OPEB liability	190,885	52,188	18,330	224,743	6,742
Compensated absences	226,949	111,762	81,619	257,092	22,695
Total governmental activities	\$ 19,912,210	\$ 1,725,721	\$ 4,472,396	\$ 17,165,535	\$ 2,126,381
Business-type activities:					
General bonded debt	\$ 6,930,000	\$ -	\$ 635,000	\$ 6,295,000	\$ 635,000
Pension liability	396,134	275,607	450,461	221,280	6,638
OPEB liability	33,687	9,210	3,235	39,662	1,190
Note Payable	19,240	30,740	9,138	40,842	9,511
Compensated absences	26,974	23,041	23,033	26,982	6,746
Total business-type activities	\$ 7,406,035	\$ 338,598	\$ 1,120,867	\$ 6,623,766	\$ 659,085

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

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated Absences	Governmental	General Fund
Contracts	Governmental	General Fund
OPEB	Governmental	General Fund
Compensated Absences	Business-type	Water and Sewer Fund

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

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Balance
2021	\$ 1,882,394	\$ 450,603	\$ 2,332,997
2022	1,777,393	400,793	2,178,186
2023	1,765,000	351,693	2,116,693
2024	1,750,000	302,178	2,052,178
2025	1,590,000	252,094	1,842,094
2026-2030	4,365,000	653,396	5,018,396
2031-2035	2,115,000	198,750	2,313,750
2036-2036	185,000	5,550	190,550
Total governmental activities	\$ 15,429,787	\$ 2,615,057	\$ 18,044,844
Year Ending September 30,	Business-type Activities		
	Principal	Interest	Balance
2021	\$ 677,551	\$ 172,787	\$ 850,338
2022	680,425	154,752	835,177
2023	695,328	136,920	832,248
2024	425,000	123,155	548,155
2025	425,000	112,418	537,418
2026-2030	1,925,000	397,400	2,322,400
2031-2034	1,505,000	89,865	1,594,865
Total business-type activities	\$ 6,333,304	\$ 1,187,297	\$ 7,520,601

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

3. Continuing Disclosure

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

F. Commitments Under Noncapitalized Leases

The City had no material commitments under noncapitalized leases for the year ended September 30, 2020.

G. Restricted Assets

Cash and cash equivalents were restricted for the following purposes at September 30, 2020:

	<u>Government</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 1,377,137	\$ -
Law Enforcement	503,719	
Tourism	112,829	
Emergency Services	145,600	
Municipal Court Technology	12,064	
Municipal Court Building Security	36,619	
Capital Projects	2,073,928	
Municipal Development	772,190	-
Scholarship Fund	4,247	-
PD Explorers	1,929	
Library Overbid	76,149	-
	<u>\$ 5,116,411</u>	<u>\$ -</u>

Sales tax receivable was restricted from the following purposes at September 30, 2020:

	<u>Government</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 92,622	\$ -
Municipal Development	91,425	-
	<u>\$ 184,047</u>	<u>\$ -</u>

Investments were restricted for the following purposes at September 30, 2020:

	<u>Government</u>	<u>Business</u>
	<u>Type Activities</u>	<u>Type Activities</u>
Crime Control and Prevention	\$ 358,314	\$ -
Municipal Development	321,612	-
	<u>\$ 679,926</u>	<u>\$ -</u>

H. Risk Management

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

CITY OF ARANSAS PASS, TEXAS
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I. Pension Plan

1. Plan Description

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

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

2. Benefits Provided

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

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

Plan Provisions-

The plan provisions are adopted by the governing body of the City, within the options available in the state governing TMRS. Plan provisions for the City were as follows:

Plan Year 2019

Employee Deposit Rate	6.00%
Matching Ratio (city to employee)	2 to 1
Years required for vesting	10
Service retirement eligibility (Age/Service)	60/10, 0/20
Updated Service Credit	100% Repeating Transfers
Annuity Increase (to employees)	70% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes
Supplemental Death Benefit to Retirees	Yes

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Employees covered by benefit terms-

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

<u>Plan Year 2018</u>	
Inactive employees or beneficiaries currently receiving benefits	52
Inactive employees entitled to but not yet receiving benefits	128
Active employees	<u>108</u>
	<u>288</u>

3. Contributions

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

Employees for the City of Aransas Pass were required to contribute 6.00% of their annual gross earnings during the fiscal year. The contribution rates for the City of Aransas Pass were 10.0% and 9.91% in calendar years 2020 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$527,184 and were equal to the required contributions.

i. 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 2.75% per year, adjusted down for population declines, if any.

Investment Rate of Return 6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first

CITY OF ARANSAS PASS, TEXAS
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used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on TMRS pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimate of real rates of return for each major asset class in fiscal year 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real rate of Return (Arithmetic)</u>
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate-

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

Changes in Net Pension Liability table follows.

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Changes in Net Pension Liability:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balance at 12/31/2019	\$ 15,324,325	\$ 12,683,436	\$ 2,640,889
Changes for the year:			
Service Cost	640,543	-	640,543
Interest (on the Total Pension Liability)	1,028,937	-	1,028,937
Change of benefit terms	-	-	-
Difference between expected and actual experience	(243,732)	-	(243,732)
Changes of assumptions	121,601	-	121,601
Contributions - employer	-	474,245	(474,245)
Contributions - employee	-	293,045	(293,045)
Net investment income	-	1,957,167	(1,957,167)
Benefit payments, including refunds of employee contributions	(802,176)	(802,176)	-
Administrative expense	-	(11,080)	11,080
Other changes	-	(333)	333
Net changes	745,173	1,910,868	(1,165,695)
Balance at 12/31/2019	\$ 16,069,498	\$ 14,594,304	\$ 1,475,194

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%	Current Single Rate Assumption 6.75%	1% Increase in Discount Rate 7.75%
City's net pension liability	\$4,019,943	\$1,475,193	(\$555,802)

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$299,873.

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

Schedule of Deferred Inflows/Outflows	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference in expected and actual economic experience (net of current year amortization)	\$ (230,068)	\$ 32,481
Changes in actuarial assumptions		\$ 37,416
Difference in projected and actual investment earnings (net of current year amortization)	\$ (381,554)	\$ 402,187
Contributions subsequent to the measurement date	\$ -	\$ 363,078
Total	\$ (611,622)	\$ 835,162

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Deferred Outflows and Deferred Inflows of Resources, by year, to be recognized in future pension expense as follows:

	Net deferred outflows (inflows) of resources
2020	\$ (319,692)
2021	(162,546)
2022	24,607
2023	(220,207)
2024	-
Therafter	-
	<u>\$ (677,838)</u>

J. Postemployment Benefits Other Than Pensions (OPEB)

General Information about the OPEB Plan

Benefit Plan description. Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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

Employees covered by benefit terms. The following employees were covered by the benefit terms:

Actuarial Valuation and Measurement Date, December 31, 2019:	
Inactive employees currently receiving benefits	38
Inactive employees entitled to but not yet receiving benefits	7
Active employees	110
	<u>155</u>

Total OPEB Liability

The City’s total OPEB liability of \$264,405 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Actuarial assumptions and other inputs. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	\$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates—service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP
.Mortality rates—disabled retirees	2019 Municipal Retires of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability, beginning of year	\$ 214,805
Changes for the year:	
Service Cost	9,213
Interest	8,104
Change of benefit terms	-
Difference between expected and actual experience	(9,858)
Changes of assumptions	44,081
Contributions - employer	-
Contributions - employee	-
Net investment income	-
Benefit payments**	(1,940)
Administrative expense	-
Other changes	-
Net changes	49,600
Total OPEB Liability, December 31, 2019	\$ 264,405

Changes of assumptions and other inputs reflect a change in the discount rate from 3.31% to 3.71%.

**Due to the plans being considered unfunded OPEB plans under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Sensitivity of the total OPEB liability to changes in the discount rate. The following table presents the total OPEB liability of the City, 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 (2.71%) or 1-percentage-point higher (4.71%) than the current discount rate:

	1% Decrease in Discount Rate 1.75%	Current Single Rate Assumption 2.75%	1% Increase in Discount Rate 3.75%
Total OPEB Liability	\$ 323,895	\$ 264,405	\$ 219,226

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

For the year ended December 31, 2018, the City recognized OPEB expense of \$14,753. At December 31, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Schedule of Deferred Inflows/Outflows	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ (2,771)	\$ -
Changes of assumptions/inputs	(2,571)	10,141
Contributions made subsequent to measurement date	n/a	8,550
Total	\$ (5,342)	\$ 18,691

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31,	Net Inflows (Outflows)
2020	\$ 4,799
2021	4,799
2022	4,799
2023	2,597
2024	4,593
Thereafter	833
Total	22,420

K. Commitments and Contingent Liabilities:

Litigation

In the opinion of City Attorney and management, there is no pending or threatened litigation against the City that would have a material effect on the City's financial position or operations.

CITY OF ARANSAS PASS, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Federal and State Assisted Programs

The City participates in certain federal and state assisted grant programs which are governed by various rules and regulations of the grantor agencies and are subject to program compliance audits by the grantors or their representatives.

The most significant Federal Program the City participated in for fiscal year end September 30, 2020 was with the Federal Emergency Management Agency (FEMA), due to Hurricane Harvey, which impacted the City on August 25, 2017.

L. Restatement of Fund Balances and Net Positions

As a result of the adoption of GASB Statement No. 75, the beginning net position of the governmental activities were restated. The Statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The net OPEB liability was recorded in accordance with GASB Statement No. 75.

It was determined that ad valorem taxes receivable were understated due to an overstatement of allowance for uncollectible accounts in prior years.

	General Fund	Governmental Activities
Beginning equity, as originally stated	\$ 2,714,420	\$ 11,439,027
Restatements:		
For GASB Statement No. 75	-	237,596
For GASB Statement No. 68	-	708,787
Ad Valorem Taxes Receivable	(170,459)	-
Construction in progress	-	-
Beginning equity, as restated	<u>\$ 2,543,961</u>	<u>\$ 12,385,410</u>

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Required Supplementary Information

Required Supplementary Information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

City of Aransas Pass, Texas
General Fund
Budgetary Comparison Statement
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Property taxes	\$ 3,429,452	\$ 3,429,452	\$ 3,119,902	\$ (309,550)
Sales taxes	2,200,000	2,200,000	2,504,349	304,349
Franchise taxes	340,700	340,700	355,490	14,790
Mixed beverage taxes	15,500	15,500	17,571	2,071
Licenses and permits	287,700	287,700	549,134	261,434
Intergovernmental	334,000	334,000	331,839	(2,161)
Charges for services	1,630,358	1,630,359	1,807,277	176,918
Rents and royalties	29,669	29,669	53,958	24,289
Industria development district	210,748	210,748	305,840	95,092
Fines and fees	402,160	402,160	159,662	(242,498)
Drug forfeitures	-	-	106,604	106,604
Donations	7,500	8,400	9,201	801
Interest income	50,000	50,000	33,496	(16,504)
Other	53,000	77,467	31,184	(46,283)
	<u>8,990,787</u>	<u>9,016,155</u>	<u>9,385,507</u>	<u>369,352</u>
EXPENDITURES				
Current:				
General government	1,929,087	1,931,426	1,579,389	352,037
Public safety	4,307,189	4,315,843	4,596,033	(280,190)
Public works	1,520,535	1,520,535	1,371,659	148,876
Sanitation, health and welfare	1,276,930	1,276,930	1,297,243	(20,313)
Culture and recreation	529,138	529,138	465,785	63,353
Hurricane recovery	-	-	21,199	(21,199)
Capital outlay	548,087	838,131	976,042	(137,911)
	<u>10,110,966</u>	<u>10,412,003</u>	<u>10,307,350</u>	<u>104,653</u>
Excess (deficiency) of revenues over expenditures	<u>(1,120,179)</u>	<u>(1,395,848)</u>	<u>(921,843)</u>	<u>474,005</u>
OTHER FINANCING SOURCES (USES)				
Grant proceeds	-	6,000	1,743,628	(1,737,628)
Transfers in	1,182,000	1,452,470	-	1,452,470
Transfers out	-	-	986,156	(986,156)
	<u>1,182,000</u>	<u>1,458,470</u>	<u>2,729,784</u>	<u>1,271,314</u>
Net change in fund balances	<u>\$ 61,821</u>	<u>\$ 62,622</u>	1,807,941	<u>\$ 1,745,319</u>
Fund balances-beginning			2,714,420	
Prior period adjustment			(170,459)	
Fund balances-beginning as restated			<u>2,543,961</u>	
Fund balances-ending			<u>\$ 4,351,902</u>	

City of Aransas Pass, Texas
Schedule of Changes in Net Pension Liability and Related Ratios
Texas Municipal Retirement System
Last 10 Fiscal Years (will ultimately be displayed)

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
A. TOTAL PENSION LIABILITY						
1. Service Cost	\$ 640,543	\$ 624,205	\$ 669,128	\$ 605,909	\$ 555,212	\$ 450,354
2. Interest (on the Total Pension Liability)	1,028,937	972,719	972,391	915,911	906,889	896,956
3. Changes of benefit terms	-	-	-	-	-	-
4. Difference between expected and actual experience	(243,732)	21,128	(851,252)	87,607	(81,543)	(548,243)
5. Changes of assumptions	121,601	-	-	-	35,770	-
6. Benefit payments, including refunds of employee contribution	(802,176)	(784,538)	(741,358)	(867,254)	(789,086)	(630,130)
7. Net change in total pension liability	745,173	833,514	48,909	742,173	627,242	168,937
8. Total pension liability -- beginning	15,324,325	14,490,811	14,441,902	13,699,729	13,072,487	12,903,550
9. Total pension liability -- ending (a)	<u>\$ 16,069,498</u>	<u>\$ 15,324,325</u>	<u>\$ 14,490,811</u>	<u>\$ 14,441,902</u>	<u>\$ 13,699,729</u>	<u>#####</u>
B. Plan fiduciary net position						
1. Contributions -- employer	\$ 474,245	\$ 535,874	\$ 550,037	\$ 485,469	\$ 505,944	\$ 484,605
2. Contributions -- employee	293,045	281,808	294,554	267,904	256,449	246,394
3. Net investment income	1,957,167	(390,276)	1,574,820	727,141	15,927	579,058
4. Benefit payments, including refunds of employee contribution	(802,176)	(784,538)	(741,358)	(867,254)	(789,086)	(630,130)
5. Administrative Expense	(11,080)	(7,554)	(8,173)	(8,224)	(9,703)	(6,045)
6. Other	(333)	(395)	(414)	(443)	(479)	(497)
7. Net change in plan fiduciary net position	1,910,868	(365,081)	1,669,466	604,593	(20,948)	673,385
8. Plan fiduciary net position -- beginning	12,683,436	13,048,516	11,379,050	10,774,457	10,795,405	10,122,020
9. Plan fiduciary net position -- ending (b)	<u>\$ 14,594,304</u>	<u>\$ 12,683,435</u>	<u>\$ 13,048,516</u>	<u>\$ 11,379,050</u>	<u>\$ 10,774,457</u>	<u>#####</u>
C. Net pension liability (a) - (b)	<u>\$ 1,475,194</u>	<u>\$ 2,640,890</u>	<u>\$ 1,442,295</u>	<u>\$ 3,062,852</u>	<u>\$ 2,925,271</u>	<u>\$ 2,277,082</u>
D. Plan fiduciary net position as a percentage of the total pension liability (b) / (a)	90.82%	82.77%	90.05%	78.79%	78.65%	82.58%
E. Covered-employee payroll	\$ 4,848,928	\$ 4,696,806	\$ 4,909,228	\$ 4,465,060	\$ 4,274,147	\$ 4,106,569
F. Net pension liability as a percentage of covered employee payroll	30.42%	56.23%	29.38%	68.60%	68.44%	55.45%

This schedule is presented to fulfill the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

City of Aransas Pass, Texas

Schedule of Contributions

Texas Municipal Retirement System

Schedule of Contributions

Last 10 Fiscal Years (will ultimately be displayed)

		2012	2013	2014	2015	2016	2017	2018
Actuarially Determined Contribution	\$	447,689	\$ 460,910	\$ 484,605	\$ 475,192	\$ 455,115	\$ 492,245	\$ 535,874
Contributions in relation to the actuarially determined contribution	\$	447,689	\$ 460,910	\$ 484,605	\$ 475,192	\$ 455,115	\$ 492,245	\$ 535,874
Contribution deficiency (excess)	\$	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$	3,547,478	\$ 3,652,239	\$ 4,106,569	\$ 4,064,945	\$ 4,186,893	\$ 4,391,121	\$ 4,696,806
Contributions as a percentage of covered employee payroll		12.62%	12.62%	11.80%	11.69%	10.87%	11.21%	11.41%

Notes to Schedule of Contributions

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	26 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits.
Mortality	Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
	Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.
	There were no benefit changes during the year.

Other Information:

This schedule is presented to fulfill the requirement to show information for 10 years. However, until a full 10-year trend is compiled, only available information is shown.

City of Aransas Pass, Texas
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years (will ultimately be displayed)

<u>Fiscal Year</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability, beginning of year	\$ 214,805	\$ 224,571	\$ 193,641
Service Cost	9,213	7,985	6,873
Interest on Total OPEB Liability	8,104	7,534	7,412
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(9,858)	(7,311)	-
Changes in assumptions or other inputs	44,081	(16,095)	18,609
Benefit payments**	(1,940)	(1,879)	(1,964)
Net changes	<u>49,600</u>	<u>(9,766)</u>	<u>30,930</u>
Total OPEB Liability, end of year	<u>\$ 264,405</u>	<u>\$ 214,805</u>	<u>\$ 224,571</u>
Covered Payroll	4,848,928	4,696,806	4,909,228
Total OPEB Liability as a Percentage of Payroll	5.45%	4.57%	4.57%

This is the second year of the implementation of GASB 75, so only two years are available for the required 10-year schedule.

** Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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Combining Statements and Budget Comparisons as Other Supplementary Information

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

City of Aransas Pass, Texas
Combining Balance Sheet
Non-Major Special Revenue Funds
September 30, 2020

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Municipal Court Building Security	Other Special Revenue	Total
ASSETS						
Receivable, net of allowance for uncollectible amounts	\$ -	\$ 85,390	\$ -	\$ -		\$ 85,390
Due from other funds	248,616	47,619	-	3,474	2,203	301,912
Restricted assets:						
Cash	145,600	112,829	12,064	36,619		307,112
Total assets	<u>\$ 394,216</u>	<u>\$ 245,838</u>	<u>\$ 12,064</u>	<u>\$ 40,093</u>	<u>\$ 2,203</u>	<u>\$ 694,414</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 3,838	\$ 62,483	\$ -	\$ -	\$ -	\$ 66,321
Due to other funds	-	-	2,750	-	-	2,750
Total liabilities	<u>3,838</u>	<u>62,483</u>	<u>2,750</u>	<u>-</u>	<u>-</u>	<u>69,071</u>
Fund balances:						
Restricted	390,378	183,355	9,314	40,093	2,203	625,343
Total fund balances	<u>390,378</u>	<u>183,355</u>	<u>9,314</u>	<u>40,093</u>	<u>2,203</u>	<u>625,343</u>
Total liabilities and fund balances	<u>\$ 394,216</u>	<u>\$ 245,838</u>	<u>\$ 12,064</u>	<u>\$ 40,093</u>	<u>\$ 2,203</u>	<u>\$ 694,414</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Special Revenue Funds
For the Year Ended September 30, 2020

	Emergency E911	Hotel/Motel Occupancy Tax	Municipal Court Technology	Municipal Court Building Security	Other Special Revenue	Total
REVENUES						
Occupancy taxes	\$ -	\$ 243,002	\$ -	\$ -	-	\$ 243,002
Fines and forfeitures	-	-	3,918	3,759	-	7,677
Fees	52,291	-	-	-	2,203	54,494
Interest income	800	943	73	272	-	2,088
Total revenues	<u>53,091</u>	<u>243,945</u>	<u>3,991</u>	<u>4,031</u>	<u>2,203</u>	<u>307,261</u>
EXPENDITURES						
Current:						
Public safety	91,172	-	6,287	-	-	97,459
Tourism	-	177,586	-	-	-	177,586
Total expenditures	<u>91,172</u>	<u>177,586</u>	<u>6,287</u>	<u>-</u>	<u>-</u>	<u>275,045</u>
Excess (deficiency) of revenues over expenditures	<u>(38,081)</u>	<u>66,359</u>	<u>(2,296)</u>	<u>4,031</u>	<u>2,203</u>	<u>32,216</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	44,000	-	-	-	-	44,000
Transfers out	-	-	-	-	-	-
Total other financing sources and uses	<u>44,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>44,000</u>
Net change in fund balances	5,919	66,359	(2,296)	4,031	2,203	76,216
Fund balances-beginning	384,459	116,996	11,610	36,062	-	549,127
Fund balances-ending	<u>\$ 390,378</u>	<u>\$ 183,355</u>	<u>\$ 9,314</u>	<u>\$ 40,093</u>	<u>\$ 2,203</u>	<u>\$ 625,343</u>

City of Aransas Pass, Texas
Aransas Pass Municipal Development District
Budgetary Comparison Statement
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Sales taxes	\$ 1,020,000	\$ 1,020,000	\$ 1,174,901	\$ 154,901
Interest income	12,000	12,000	9,845	(2,155)
Total revenues	<u>1,032,000</u>	<u>1,032,000</u>	<u>1,184,746</u>	<u>152,746</u>
EXPENDITURES				
Current:				
General government	3,500	3,500	3,300	200
Culture and recreation	385,000	385,000	-	385,000
Debt service:				
Principal	430,000	430,000	430,000	-
Interest and fiscal charges	128,063	128,063	128,033	30
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>971,563</u>	<u>971,563</u>	<u>561,333</u>	<u>410,230</u>
Excess (deficiency) of revenues over expenditures	<u>60,437</u>	<u>60,437</u>	<u>623,413</u>	<u>(257,484)</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(215,458)	(215,458)
Total other financing sources and uses	<u>-</u>	<u>-</u>	<u>(215,458)</u>	<u>(215,458)</u>
Net change in fund balances	60,437	60,437	407,955	<u>\$ (472,942)</u>
Fund balances-beginning	247,370	247,370	976,709	
Prior period adjustment	-	-	-	
Fund balances-beginning as restated	<u>247,370</u>	<u>247,370</u>	<u>976,709</u>	
Fund balances-ending	<u>\$ 307,807</u>	<u>\$ 307,807</u>	<u>\$ 1,384,664</u>	

City of Aransas Pass, Texas
Aransas Pass Crime Control and Prevention District
Budgetary Comparison Statement
For the Year Ended September 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original Budget</u>	<u>Final Amended Budget</u>		
REVENUES				
Sales taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,178,536	\$ 178,536
Interest income	15,000	15,000	18,067	3,067
Total revenues	<u>1,015,000</u>	<u>1,015,000</u>	<u>1,196,603</u>	<u>181,603</u>
EXPENDITURES				
Current:				
General government	4,300	4,300	3,308	992
Total expenditures	<u>4,300</u>	<u>4,300</u>	<u>3,308</u>	<u>992</u>
Excess (deficiency) of revenues over expenditures	<u>1,010,700</u>	<u>1,010,700</u>	<u>1,193,295</u>	<u>180,611</u>
OTHER FINANCING SOURCES (USES)				
Transfers out	<u>(1,176,000)</u>	<u>(1,176,000)</u>	<u>(1,017,922)</u>	<u>158,078</u>
Total other financing sources and uses	<u>(1,176,000)</u>	<u>(1,176,000)</u>	<u>(1,017,922)</u>	<u>158,078</u>
Net change in fund balances	(165,300)	(165,300)	175,373	<u>\$ 338,689</u>
Fund balances-beginning	894,961	894,961	1,571,041	
Fund balances-ending	<u>\$ 729,661</u>	<u>\$ 729,661</u>	<u>\$ 1,746,414</u>	

City of Aransas Pass, Texas
Combining Statement of Net Position
Non-Major Enterprise Funds
September 30, 2020

	Harbor Fund	Aquatic Center Fund	Civic Center Fund	Total
ASSETS				
Current assets:				
Cash and cash equivalents	\$ -	\$ 600	\$ 9,371	\$ 9,971
Receivables, net of allowance for uncollectible amounts	13,712	-	-	13,712
Due from other funds	47,077	-	255,123	302,200
Total current assets	<u>60,789</u>	<u>600</u>	<u>264,494</u>	<u>325,883</u>
Noncurrent assets:				
Capital assets:				
Property, plant and equipment	3,637,933	-	-	3,637,933
Less accumulated depreciation	(2,828,927)	-	-	(2,828,927)
Construction in progress	55,156	-	-	55,156
Total noncurrent assets	<u>864,162</u>	<u>-</u>	<u>-</u>	<u>864,162</u>
Total assets	<u>924,951</u>	<u>600</u>	<u>264,494</u>	<u>1,190,045</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pensions	8,653	8,653	8,653	25,959
Deferred outflows related to OPEB	187	187	187	561
Total deferred outflows of resources	<u>8,840</u>	<u>8,840</u>	<u>8,840</u>	<u>26,520</u>
LIABILITIES				
Current liabilities:				
Accounts payable	4,916	5,092	14,825	24,833
Due to other funds	-	18,960	-	18,960
Compensated absences payable	1,793	675	819	3,287
Deferred revenue	39,902	-	405,100	445,002
Notes payable -current portion	10,102	-	-	10,102
Total current liabilities	<u>56,713</u>	<u>24,727</u>	<u>420,744</u>	<u>502,184</u>
Noncurrent liabilities:				
Compensated absences	5,380	2,023	2,457	9,860
Net Pension liability	14,752	14,752	14,752	44,256
Total OPEB liability	2,644	2,644	2,644	7,932
Notes payable	28,303	-	-	28,303
Total noncurrent liabilities	<u>51,079</u>	<u>19,419</u>	<u>19,853</u>	<u>90,351</u>
Total liabilities	<u>107,792</u>	<u>44,146</u>	<u>440,597</u>	<u>592,535</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pensions	6,117	6,117	6,117	18,351
Deferred inflows related to OPEB	87	87	87	261
Total deferred inflows of resources	<u>6,204</u>	<u>6,204</u>	<u>6,204</u>	<u>18,612</u>
NET POSITION				
Net invested in capital assets	864,162	-	-	864,162
Unrestricted	<u>(44,367)</u>	<u>(40,910)</u>	<u>(173,467)</u>	<u>(258,744)</u>
Total net position	<u>\$ 819,795</u>	<u>\$ (40,910)</u>	<u>\$ (173,467)</u>	<u>\$ 605,418</u>

City of Aransas Pass, Texas
Combining Statement of Revenues, Expenses, and Changes in Net Position
Non-Major Enterprise Funds
For the Year Ended September 30, 2020

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
OPERATING REVENUES				
Charges for services	\$ 316,374	\$ 11,087	\$ 65,917	\$ 393,378
Total operating revenue	<u>316,374</u>	<u>11,087</u>	<u>65,917</u>	<u>393,378</u>
OPERATING EXPENSES				
Personal services	89,138	111,191	135,950	336,279
Contractual services	14,833	1,406	-	16,239
Supplies	8,429	29,962	3,916	42,307
Maintenance	43,660	54,222	32,407	130,289
Administrative	-	1,545	1,792	3,337
Utilities	16,274	28,669	52,537	97,480
Advertising	-	1,043	412	1,455
Event expenses	-	-	557	557
Insurance	2,945	6,034	38,722	47,701
Depreciation and amortization	31,460	-	-	31,460
Total operating expenses	<u>206,739</u>	<u>234,072</u>	<u>266,293</u>	<u>707,104</u>
Operating income (loss)	<u>109,635</u>	<u>(222,985)</u>	<u>(200,376)</u>	<u>(313,726)</u>
NON-OPERATING REVENUES (EXPENSES)				
Grant proceeds	11,092	-	-	11,092
Interest expense	(967)	-	-	(967)
Total nonoperating revenue (expenses)	<u>10,125</u>	<u>-</u>	<u>-</u>	<u>10,125</u>
Income (loss) before contributions and transfers	119,760	(222,985)	(200,376)	(303,601)
Transfers in	1,981	238,116	215,458	455,555
Transfers out	(130,000)	-	-	(130,000)
Change in net position	(8,259)	15,131	15,082	21,954
Total net position-beginning	<u>828,054</u>	<u>(56,041)</u>	<u>(188,549)</u>	<u>583,464</u>
Total net position-ending	<u>\$ 819,795</u>	<u>\$ (40,910)</u>	<u>\$ (173,467)</u>	<u>\$ 605,418</u>

City of Aransas Pass, Texas
Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Year Ended September 30, 2020

	<u>Harbor Fund</u>	<u>Aquatic Center Fund</u>	<u>Civic Center Fund</u>	<u>Total</u>
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 335,344	\$ 11,087	\$ 61,207	\$ 407,638
Cash payments to suppliers for goods and services	(92,300)	(120,641)	(117,916)	(330,857)
Cash payments to employees for services	(96,480)	(121,974)	(146,105)	(364,559)
Net cash provided (used) by operating activities	<u>146,564</u>	<u>(231,528)</u>	<u>(202,814)</u>	<u>(287,778)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
Transfers-in from other funds	1,981	238,116	215,458	455,555
Transfers-out to other funds	(130,000)	-	-	(130,000)
(Increase) decrease in amounts due to other funds	(10,187)	(1,660)	(7,716)	(19,563)
Deferred inflows	3,528	3,528	3,528	10,584
Deferred outflows	(8,456)	(8,456)	(8,456)	(25,368)
Net cash provided (used) by non-capital financing activities	<u>(143,134)</u>	<u>231,528</u>	<u>202,814</u>	<u>291,208</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(32,721)	-	-	(32,721)
Proceeds from Note Payable	30,740	-	-	30,740
Principal paid on revenue bond maturities and equipment contracts	(11,574)	-	-	(11,574)
Interest paid of revenue bonds and equipment contracts	(967)	-	-	(967)
Grant proceeds	11,092	-	-	11,092
Net cash provided (used) for capital and related financing activities	<u>(3,430)</u>	<u>-</u>	<u>-</u>	<u>(3,430)</u>
Net increase (decrease) in cash and cash equivalents	-	-	-	-
Cash and cash equivalents at beginning of year	-	600	9,371	9,971
Cash and cash equivalents at end of year	<u>\$ -</u>	<u>\$ 600</u>	<u>\$ 9,371</u>	<u>\$ 9,971</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income (loss)	\$ 109,635	\$ (222,985)	\$ (200,376)	\$ (313,726)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:				
Depreciation expense	31,460	-	-	31,460
Changes in assets and liabilities:				
Accounts receivable	8,564	-	-	8,564
Customer security deposits	10,406	-	(4,710)	5,696
Accounts payable	(6,159)	2,240	12,427	8,508
Compensated absences payable	3,917	476	1,104	5,497
Pension liabilities	(11,657)	(11,657)	(11,657)	(34,971)
OPEB liabilities	398	398	398	1,194
Total Adjustments	<u>36,929</u>	<u>(8,543)</u>	<u>(2,438)</u>	<u>25,948</u>
Net cash provided (used) by operating activities	<u>\$ 146,564</u>	<u>\$ (231,528)</u>	<u>\$ (202,814)</u>	<u>\$ (287,778)</u>

Financial Advisory Services
Provided By:

