

**OFFICIAL STATEMENT****October 19, 2021**

Interest on the Bonds is not excludable from gross income for federal tax purposes under existing law. (See "TAX MATTERS" herein.)

**MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION****(Burnet County, Texas)****\$8,010,000****SALES TAX REVENUE BONDS, TAXABLE SERIES 2021****Dated: October 1, 2021****Due: February 1, as shown on page 2**

The \$8,010,000 Sales Tax Revenue Bonds, Taxable Series 2021 (the "Bonds") are special obligations of the Marble Falls Economic Development Corporation (the "Corporation" or the "Issuer"). The Bonds are issued pursuant to a bond resolution (the "Resolution") adopted by the Board of Directors of the Corporation (the "Board") on October 19, 2021 and in accordance with certain provisions of the Development Corporation Act, currently codified at Chapters 501 and 505, Texas Local Government Code, as amended (previously codified as Article 5190.6, Texas Revised Civil Statutes Annotated, as amended) (collectively, the "Act"). The Bonds, together with any Additional Parity Obligations, as defined herein, hereafter issued, are payable from and secured by a lien on and pledge of the Pledged Revenues, as defined herein, which include the receipts from a ½ of 1% sales and use tax collected within the boundaries of the City of Marble Falls, Texas (the "City") for the benefit of the Corporation. THE BONDS DO NOT CONSTITUTE OBLIGATIONS OF THE STATE OF TEXAS, THE CITY, BURNET COUNTY, ANY AGENCY OR ANY OTHER POLITICAL SUBDIVISION OF THE STATE OF TEXAS AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF TEXAS, THE CITY, BURNET COUNTY, ANY AGENCY OR ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED AS SECURITY FOR THE PAYMENT OF THE BONDS. (See "THE BONDS – Security for Payment", "SECURITY FOR THE BONDS" and "THE SALES TAX – Investor Considerations" herein.)

Interest on the Bonds will accrue from October 1, 2021 (the "Dated Date") and will be payable initially on February 1, 2022, and on each August 1 and February 1 thereafter until maturity or prior redemption. Interest 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 the principal amount 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 for the (1) completion of Innovation Loop/expansion of Business Technology Park, including streets and utilities; (2) expansion of the Lakeside Pavilion, including improvements of surrounding park area and street and sidewalk and trail improvements to connect the Pavilion to the Historic Main Street area; (3) projects related to the approved Downtown Master Plan; and (4) paying the costs of issuance of the Bonds.

The Bonds maturing on and after February 1, 2031 are subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, at the redemption price of par plus accrued interest to the redemption date. Additionally, the Bonds maturing on February 1, 2035 and February 1, 2041 (the "Term Bonds") will also be subject to mandatory sinking fund redemption (See "THE BONDS – Redemption Provisions" herein.)

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **ASSURED GUARANTY MUNICIPAL CORP.** (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

**STATED MATURITY SCHEDULE****(See page 2)**

*The Bonds are offered for delivery when, as and if issued and received by the initial purchaser named below (the "Underwriter") subject to approval of legality by the Attorney General of the State of Texas and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The Bonds are expected to be available for delivery through DTC on or about November 10, 2021.*

**FHN FINANCIAL CAPITAL MARKETS**

**\$8,010,000**  
**MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION**  
**(Burnet County, Texas)**  
**SALES TAX REVENUE BONDS, TAXABLE SERIES 2021**

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

CUSIP Prefix No. 566027<sup>(a)</sup>

<b>\$2,940,000 Serial Bonds</b>				
<b>Stated</b>		<b>Interest</b>	<b>Initial</b>	
<b>Maturity</b>	<b>Principal</b>	<b>Rate</b>	<b>Yield</b>	<b>CUSIP</b>
<b>(2/1)</b>	<b>Amount</b>	<b>(%)</b>	<b>(%)</b>	<b>Suffix <sup>(a)</sup></b>
2022	\$470,000	5.000%	0.560%	AW8
2023	440,000	5.000%	0.660%	AX6
2024	100,000	4.000%	1.020%	AY4
2025	100,000	4.000%	1.550%	AZ1
2026	100,000	4.000%	1.700%	BA5
2027	100,000	4.000%	1.950%	BB3
2028	385,000	4.000%	2.100%	BC1
2029	400,000	4.000%	2.250%	BD9
2030	415,000	4.000%	2.350%	BE7
2031	430,000	2.450%	2.450%	BF4

**\$1,850,000 2.800% Term Bonds due February 1, 2035 and priced to yield 2.845% CUSIP Suffix BK3**

**\$3,220,000 3.150% Term Bonds due February 1, 2041 and priced to yield 3.150% CUSIP Suffix BL1**

(Interest to accrue from the Dated Date)

The Bonds maturing on and after February 1, 2031 are subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, at the redemption price of par plus accrued interest to the redemption date. Additionally, the Bonds maturing on February 1, 2035 and February 1, 2041 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions" herein.)

<sup>(a)</sup> CUSIP numbers are included solely for the convenience of the owners 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 Capital IQ 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 Corporation, the City, the Financial Advisor or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

**MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION**  
**801 4<sup>th</sup> Street**  
**Marble Falls, Texas 78654**  
**(830) 798-7079**

**BOARD OF DIRECTORS**

<u>Name</u>	<u>Position</u>	<u>Term Expires (May)</u>
Steve Reitz	President	2023
Mark Mayfield	Vice President	2022
Judy Miller	Director	2023
Ryan Nash	Director	2022
John Packer	Director	2022
Lindsay Plante	Director	2023
Richard Westerman	Director	2023

**CITY COUNCIL**

<u>Name</u>	<u>Years Served</u>	<u>Term Expires (May)</u>
Richard Westerman, Mayor	5	2023
Dave Rhodes, Mayor Pro-Tem	4	2023
Craig Magerkurth, Councilmember, Place 1	5	2022
Rene Rosales, Councilmember, Place 3	1	2022
Bryan Walker, Councilmember, Place 4	1 month	2023
William Haddock, Councilmember, Place 5	1 month	2022
Reed Norman, Councilmember, Place 6	2	2023

**ADMINISTRATION**

<u>Name</u>	<u>Position</u>	<u>Length of Service With the City</u>
Christian Fletcher	Executive Director	10 years
Midge Dockery	Business Development Coordinator	6 years
Jeff Lazenby	Treasurer (Director of Finance)	6 months
Christina McDonald	Secretary (City Secretary)	27 years

**CONSULTANTS AND ADVISORS**

Bond Counsel	Bickerstaff Heath Delgado Acosta LLP Austin, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas
Certified Public Accountants	Patillo, Brown & Hill, L.L.P. Waco, Texas

***For Additional Information Please Contact:***

<p>Mr. Christian Fletcher EDC Executive Director <b>Marble Falls Economic Development Corporation</b> 801 4<sup>th</sup> Street Marble Falls, Texas 78654 (830) 798-7079 cfletcher@marblefallseconomy.com</p>	<p>Mr. Jeff Lazenby Director of Finance <b>City of Marble Falls</b> 800 3<sup>rd</sup> Street Marble Falls, Texas 78654 (830) 693-3615 jlazenby@ci.marble-falls.tx.us</p>	<p>Mr. Mark McLiney Mr. Andrew T. Friedman <b>SAMCO Capital Markets, Inc.</b> 1020 NE Loop 410, Suit 640 San Antonio, Texas 78209 210-832-9760 mmcliney@samcocapital.com afriedman@samcocapital.com</p>
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## USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information must not be relied upon.

Certain information set forth herein has been provided by sources other than the Corporation that the Corporation believes to be reliable, but the Corporation and the City make no representation as to the accuracy of such information. In addition, certain information set forth herein has been obtained from the Corporation and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the Corporation, the City, the Financial Advisor or the Underwriter. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or other matters described herein since the date hereof. (See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the Corporation's undertaking to provide certain information on a continuing basis.)

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

NONE OF THE CORPORATION, THE CITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKE 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, OR ITS MUNICIPAL BOND GUARANTY POLICY AS DESCRIBED HEREIN (OR INCORPORATED BY REFERENCE) UNDER THE CAPTIONS "BOND INSURANCE" AND "BOND INSURANCE RISK FACTORS", AS SUCH INFORMATION WAS PROVIDED BY DTC AND THE BOND INSURER, RESPECTIVELY.

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

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 JURISDICTION IN WHICH THE BONDS HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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

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

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

## SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information and to the 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 Summary Statement from this Official Statement or to otherwise use it without the entire Official Statement.

<b>The Issuer</b>	The Marble Falls Economic Development Corporation (the "Corporation") is a nonprofit development corporation formed pursuant to the Development Corporation Act of 1979 and governed by Section 4B of the Act now codified at Chapters 501 and 505, Texas Local Government Code, as amended (collectively, the "Act"). The Corporation was created upon approval of a vote of the residents of the City of Marble Falls, Texas (the "City") and is governed by a seven-member board of directors (the "Board") appointed by the City Council of the City. The Corporation is funded with a one-half of one percent (1/2%) sales and use tax collected within the boundaries of the City. The Corporation was created to support new and existing businesses in the City by thoughtfully and carefully reinvesting sales tax dollars into worthwhile projects and programs. When working on enhancing the City's amenities, the Corporation encourages the creation of new wealth by gains in jobs and capital investments. For financial reporting purposes, the Corporation is reported as if it were a part of the City's operations because it provides services entirely for the City.
<b>The Bonds</b>	The Bonds are special obligations of the Corporation issued pursuant to a resolution (the "Resolution") adopted by the Board of the Corporation on October 19, 2021, in accordance with the Act. (See "THE BONDS – Authorization" herein.)
<b>Paying Agent/ Registrar</b>	The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas. The Corporation intends to use the Book-Entry-Only System of DTC (defined herein). (See "REGISTRATION, TRANSFER AND EXCHANGE - Paying Agent/Registrar" and "BOOK-ENTRY-ONLY SYSTEM" herein.)
<b>Redemption Provisions</b>	The Bonds maturing on and after February 1, 2031 are subject to optional redemption prior to maturity on February 1, 2030 or any date thereafter, in whole or in part, in principal amounts of \$5,000 or integral multiples thereof, at the redemption price of par plus accrued interest to the redemption date. Additionally, the Bonds maturing on February 1, 2035 and February 1, 2041 (the "Term Bonds") will also be subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions" herein.)
<b>Security</b>	The Bonds are payable solely from and are secured by a lien on and pledge of certain Pledged Revenues (defined herein) which include the gross receipts from a ½ of 1% sales and use tax (the "Sales Tax") levied and collected within the City for the benefit of the Corporation. The Sales Tax was authorized at an election held by and within the City on May 12, 2007. The total rate of all State and local sales and use taxes levied in the City is currently 8¼%. The Bonds are not obligations of the State of Texas, the City, Burnet County, any agency, or any other political subdivision and shall never be payable from ad valorem taxes. (See "THE BONDS – Security for Payment", "SECURITY FOR THE BONDS" and "THE SALES TAX" herein.)
<b>Use of Proceeds</b>	Proceeds from the sale of the Bonds will be used for the (1) completion of Innovation Loop/expansion of Business Technology Park, including streets and utilities; (2) expansion of the Lakeside Pavilion, including improvements of surrounding park area and street and sidewalk and trail improvements to connect the Pavilion to the Historic Main Street area; (3) projects related to the approved Downtown Master Plan; and (4) paying the costs of issuance of the Bonds.
<b>Bond Insurance</b>	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)
<b>Rating</b>	S&P Global Ratings, a division of S&P Global Ratings Inc. ("S&P") has assigned an underlying rating of "A+". S&P has assigned the insured rating of "AA" to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Bonds will be issued by AGM. (See "RATING" herein.) (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.)

<b>Book-Entry-Only System</b>	The Issuer intends to utilize the Book-Entry-Only System of the Depository Trust Company (“DTC”), New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner in which the Bonds may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)
<b>Taxable Obligations</b>	Interest to be paid on the Bonds is included in the gross income of the owners thereof for federal tax purposes. (See “TAX MATTERS” herein.)
<b>Additional Bonds</b>	Under the Resolution, additional bonds, notes or other obligations (“Additional Parity Obligations”) may be issued by the Corporation on a parity with the Bonds secured by the pledge of and lien on the receipts of the Sales Tax, subject to certain conditions, including the Pledged Revenues that were, during either the next preceding fiscal year, or any twelve (12) consecutive calendar months in the eighteen (18) months next preceding the month in which the resolution was adopted authorizing the then proposed Additional Parity Obligations, at least equal to 1.50 times the maximum annual principal and interest requirements for all Parity Obligations and any Additional Parity Obligations outstanding after the issuance of the then proposed Additional Parity Obligations. (See “SECURITY FOR THE BONDS - Additional Parity Obligations” herein.)
<b>Delivery</b>	When issued, anticipated on or about November 10, 2021.
<b>Legality</b>	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, Austin, Texas.

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**OFFICIAL STATEMENT  
relating to**

**\$8,010,000  
MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION  
SALES TAX REVENUE BONDS, TAXABLE SERIES 2021**

**INTRODUCTION**

The purpose of this Official Statement, which includes the cover page and Appendices hereto, is to set forth information regarding the issuance by the Marble Falls Economic Development Corporation (the "Corporation" or the "Issuer") of its \$8,010,000 Sales Tax Revenue Bonds, Taxable Series 2021 (the "Bonds").

The Bonds are being issued pursuant to certain provisions of the Development Corporation Act, including provisions of Chapters 501 and 505, Texas Local Government Code, as amended (collectively, the "Act"), and pursuant to the provisions of a resolution (the "Resolution") adopted by the Board of Directors of the Corporation (the "Board") on October 19, 2021. All capitalized terms used herein and not otherwise defined herein shall have the meanings assigned to such terms in the Resolution. (See "APPENDIX D - Selected Provisions of the Resolution" herein.)

The creation of the Corporation was approved by the City Council of the City of Marble Falls, Texas (the "City") pursuant to a resolution adopted on August 13, 2007, to benefit and accomplish the public purposes of, and to act on behalf of, the City as prescribed by the Act. At an election held on May 12, 2007, the voters of the City approved a one-half of one percent (1/2%) sales and use tax to be levied within the City (the "Sales Tax") which, pursuant to the Act, may be pledged to secure obligations of the Corporation. The Sales Tax, together with all other state and municipal sales and use taxes levied within the City, produces a total sales and use tax rate of 8¼% percent, the maximum rate currently permitted by the State (defined below) law. (See "THE SALES TAX" herein.)

The Corporation was created to support new and existing businesses in the City by thoughtfully and carefully reinvesting sales tax dollars into worthwhile projects and programs. When working on enhancing the City's amenities, the Corporation encourages the creation of new wealth by gains in jobs and capital investments. For financial reporting purposes, the Corporation is reported as if it were a part of the City's operations because it provides services entirely for the City. The City Council of the City appoints the members of the Board. The City is required to approve certain actions of the Corporation, including the issuance of the Bonds by the Corporation. (See "THE CORPORATION" herein.)

There follows in this Official Statement brief descriptions of the Bonds and their security, the Corporation, the City and its economy, and the Resolution. **ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE ONLY SUMMARIES AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.** Copies of such documents may be obtained from the Corporation.

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

All financial and other information presented in this Official Statement has been provided by the Corporation and the City from their records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information and is not intended to indicate future or continuing trends in the financial position or other affairs of the Corporation. No representation is made that past experience, as is shown by that financial and other information, will necessarily continue or be repeated in the future. (See "OTHER PERTINENT INFORMATION - Forward-Looking Statements Disclaimer" herein.)

**SOURCES AND USES OF FUNDS**

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

**Sources of Funds**

Par Amount	\$	8,010,000.00
Net Original Issue Reoffering Premium		192,187.50
Accrued Interest		<u>29,603.71</u>
<b>Total Sources of Funds</b>	<b>\$</b>	<b><u>8,231,791.21</u></b>

**Uses of Funds**

Deposit to Project Fund	\$	8,010,000.00
Cost of Issuance (including insurance premium, if any)		136,628.51
Underwriter's Discount		55,558.99
Accrued Interest Deposit to Debt Service Fund		<u>29,603.71</u>
<b>Total Uses of Funds</b>	<b>\$</b>	<b><u>8,231,791.21</u></b>



## THE BONDS

### General

The Bonds are dated October 1, 2021 (the "Dated Date"), and interest payable on the Bonds will be calculated on the basis of a 360 -day year consisting of twelve 30-day months. The Bonds will bear interest from the Dated Date. The Bonds will mature on the dates and in the principal amounts set forth on page 2 of this Official Statement. Interest on the Bonds is payable initially on February 1, 2022, and on each February 1 and August 1 thereafter until maturity or prior redemption. The Bonds will be issued only as fully registered obligations in book-entry form only, in denominations of \$5,000 principal amount or any integral multiple thereof within a stated maturity.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a more complete description of such system.)

### Authorization

The Bonds are special obligations of the Corporation issued pursuant to the Resolution and in accordance with the Constitution and the general laws of the State of Texas (the "State"), including the Act.

### Security for Payment

The Bonds, together with any Additional Parity Obligations (as defined below) hereafter issued, are payable solely from and are secured by a lien on and pledge of the Pledged Revenues (defined below) which include the gross receipts from a one-half of one percent (½%) additional sales and use tax (the "Sales Tax") levied and collected within the City for the benefit of the Corporation. The Sales Tax was authorized at an election held by and within the City on May 12, 2007. The total rate of all State and local sales and use taxes levied in the City is currently 8¼%. The Bonds are not obligations of the State, the City, Burnet County, any agency or any other political subdivision of the State and shall never be payable from ad valorem taxes.

### Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used for the (1) completion of Innovation Loop/expansion of Business Technology Park, including streets and utilities; (2) expansion of the Lakeside Pavilion, including improvements of surrounding park area and street and sidewalk and trail improvements to connect the Pavilion to the Historic Main Street area; (3) projects related to the approved Downtown Master Plan; and (4) paying the costs of issuance of the Bonds.

In accordance with the Act, the Corporation approved the projects for purposes related to projects to promote new or expected business development, as provided by Section 505.158, Texas Local Government Code. The Corporation published the requisite notice and conducted a public hearing on the proposed projects on December 10, 2013 and January 8, 2014, respectively. The City Council on February 4, 2014 adopted a resolution approving the projects. The City Council and Corporation will adopt resolutions authorizing the projects on October 19, 2021.

### Redemption Provisions

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

**Mandatory Sinking Fund Redemption:** The Bonds stated to mature on February 1, 2035 and February 1, 2041 are referred to herein as the "Term Bonds". The Term Bonds are also subject to mandatory redemption prior to maturity in part and by lot, at a price equal to the principal amount thereof plus accrued interest to the date of redemption, on February 1, in the years and principal amounts shown below:

Term Bonds Maturing on February 1, 2035		Term Bonds Maturing on February 1, 2041	
Year	Principal Amount	Year	Principal Amount
2032	\$ 445,000	2036	\$495,000
2033	455,000	2037	510,000
2034	470,000	2038	530,000
2035*	480,000	2039	545,000
		2040	560,000
		2041*	580,000

\*Payable at Stated Maturity.

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following February 1 from money set aside for that purpose in the Bond Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Corporation, by the principal amount of any Term Bonds of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Corporation and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Corporation, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Not less than thirty (30) days prior to a redemption date for the Bonds, the Corporation shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing of such notice. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

The Issuer reserves the right to give notice of its election or direction to optionally redeem Bonds conditioned upon the occurrence of subsequent events. Such notice may state (i) that the redemption is conditioned upon the deposit of moneys and/or authorized securities, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar, or such other entity as may be authorized by law, no later than the redemption date or (ii) that the Issuer retains the right to rescind such notice at any time prior to the scheduled redemption date if the Issuer delivers a certificate of the Issuer to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice of redemption shall be of no effect if such moneys and/or authorized securities are not so deposited or if the notice is rescinded. The Paying Agent/Registrar shall give prompt notice of any such rescission of a conditional notice of redemption to the affected owners. Any Bonds subject to conditional redemption where redemption has been rescinded shall remain outstanding.

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

Bonds of a denomination larger than \$5,000 may be redeemed in part (\$5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal.

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

#### **Payment Record**

The Corporation has not defaulted on the payment of its bonded indebtedness.

#### **Legality**

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion as to legality by Bickerstaff Heath Delgado Acosta LLP, Austin, Texas ("Bond Counsel"). A form of the legal opinion of Bond Counsel appears in APPENDIX C attached hereto.

#### **Amendments**

In the Resolution, the Issuer has reserved the right to amend the Resolution without the consent of any holder for the purpose of amending or supplementing the Resolution to cure any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Corporation may, with the written consent of the Owners of the Bonds holding a majority in aggregate principal amount of the Bonds then outstanding, amend, add to, or rescind any of the provisions of the Resolution; provided that, without the consent of all Owners of outstanding Bonds effected, no such amendment, addition, or rescission shall (i) extend the time or times of payment of the principal of and interest on the Bonds, reduce the principal amount thereof, the redemption price therefor, or the rate of interest thereon, or in any other way modify the terms of payment of the principal of or interest on the Bonds, (ii) give any preference to any Bond over any other Bond, or (iii) reduce the aggregate principal amount of Bonds or Parity Obligations required to be held by Owners for consent to any such amendment, addition, or rescission.

#### **Defeasance**

The Resolution 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, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Defeasance Securities (defined below), that to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The Corporation has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the Corporation moneys in excess of the amount required for such defeasance. The Resolution provides that "Defeasance Securities" means

any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the 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 Corporation 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. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Bonds, or those for any other Defeasance 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 Corporation has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Resolution does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the Corporation 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 Corporation 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 Corporation 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 Corporation (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.

#### **Bondholders' Remedies**

The Resolution establishes the following as events of default with respect to the Bonds: (i) the failure to make payment of the principal of or interest on any of the Bonds when the same becomes due and payable; or (ii) default in the performance or observance of any other covenant, agreement or obligation of the Corporation, the failure to perform which materially and adversely affects the rights of the Owners, including but not limited to, their prospect or ability to be repaid in accordance with the Resolution, and the continuation thereof for a period of 30 days after notice of such default is given by any Owner to the Corporation. Except for the remedy of mandamus to enforce the Corporation's covenants and obligations under the Resolution, the Resolution does not establish any other remedies with respect to events of default. Notwithstanding the foregoing, the provider of a municipal bond insurance policy relating to the Bonds, if any (identified herein as the "Bond Insurer"), shall have the right to direct all remedies upon an event of default, and the Bond Insurer will be recognized as the registered owner of the Bonds for the purposes of exercising all rights and privileges available to the Bondholders. 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. Under State law there is no right to the acceleration of maturity of the Bonds upon the failure of the Corporation to observe any covenant under the Resolution. Although a registered owner of Bonds could presumably obtain a judgment against the Corporation if a default occurred in the payment of the principal of or interest on any such Bonds, such judgment could not be satisfied by execution against any property of the Corporation other than the Pledged Revenues. Such registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the Corporation to observe or perform any of its obligations under the Resolution. The enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis. The Resolution does not provide for the appointment of a trustee to represent the interests of the bondholders upon any failure of the Corporation to perform in accordance with the terms of the Resolution, or upon any other condition. Furthermore, the Corporation is eligible to seek relief from its creditors under the U.S. Bankruptcy Code. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because the Corporation is a component unit of the City, an analysis of relevant sovereign immunity municipal case law is described below. *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*, ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that the Proprietary-Governmental Dichotomy applies in contract-claims context. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt or debt issued by a special purpose entity in which a city derives a benefit). 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 or a corporation.

Furthermore, the Corporation 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 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 Corporation avail itself of Chapter 9 protection from creditors, the ability to enforce the above-mentioned remedies 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 Resolution and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

#### **THE CORPORATION**

The Corporation is a public instrumentality and non-profit corporation created by and acting on behalf of the City under the authority of the Act. The Corporation is organized for the purpose of benefiting and accomplishing public purposes of the City by promoting, assisting and enhancing the community as it pertains to economic development activities within the City.

The Corporation is made up of seven directors, one of whom is a member of the City Council and six of whom are residents of the City or residents of Burnet County who live within ten (10) miles of the corporate City limits boundary. The Corporation operates under its Articles of Incorporation (the "Articles"), dated August 23, 2007, as well as under the general powers and duties as defined in the Act and the Nonprofit Corporation Act (as defined in the Articles). All voting rights are vested solely in the Board. The Corporation's Bylaws govern the internal affairs of the Corporation and provide the Board meet at such times and places as shall be designated from time to time by the Board, and such meetings are governed by the Texas Open Meetings Act, Chapter 551, Texas Government Code, as amended. The Directors serve without compensation.

The fiscal year of the Corporation runs concurrently with the City's fiscal year, beginning the first day of October and ending on the last day of September each year. At least ninety (90) days prior to the commencement of each fiscal year of the Corporation, the Board must adopt a proposed budget of expected revenues and expenditures. The budget does not become effective until the same has been approved by a majority vote of the City Council.

All proceeds from the issuance of debt instruments issued by the Corporation shall be deposited and invested as provided in the resolution, order, indenture or other documents authorizing their issuance. All other monies of the Corporation shall be deposited, secured and/or invested in the manner provided for the deposit, security and/or investment of the public funds of the Corporation. The Corporation's financial statements must be audited at least once each fiscal year by an outside independent certified public accounting firm selected by the Corporation and approved by the City Council. Currently, the Corporation does not prepare separate audited financial statements, but its financial information is included as a component unit in the City's annual audited financial statements in accordance with the relevant Government Accounting Standard Board's Statements.

Any bonds issued by the Corporation, including the Bonds and any refunding bonds, shall be issued (1) upon approval of the City Council and (2) in accordance with the applicable provisions of the Act that are necessary and appropriate to the fulfillment of the public purposes of the Corporation.

The Corporation is prohibited to enter into any loan, lease, trust, or other agreement, the effect of which would grant, convey, transfer, mortgage, encumber, pledge, or assign a security interest or any other interest in any property owned by the City.

#### **THE PROJECT**

The Board published notice and held public hearings on April 1, 2014 and May 2, 2014 on the following projects:

Acquisition of real property in the City of Marble Falls, construction of buildings and structures on such property associated with a recreational project for public park, entertainment, or tourist purposes, including related store, restaurant, and concession services, open space improvements, automobile parking facilities and related area transportation facilities, and other related improvements and the maintenance and operation costs for such property and facilities (the "Waterfront Project"); and

Acquisition of real property in the City of Marble Falls, and construction of buildings on such property associated with a community facility or facilities for tourist, auditorium, and convention purposes, including related store, restaurant, concession and automobile parking facilities and related roads, streets and other related improvements, and the maintenance and operation costs for such property and facilities (the "Downtown Project").

The Corporation on June 3, 2014 sold its \$4,000,000 Marble Falls Economic Development Corporation Sales Tax Revenue Bond, Taxable Series 2014 to finance and to pay (1) the costs of the acquisition of real property for the Waterfront Project and the Downtown Project, (2) planning for the two projects, (3) parking, landscaping, meeting space, boardwalk, trail improvements, open space or park improvements and street improvements related to such projects and (4) the payment of costs of issuance.

The Corporation purchased the land for the Waterfront Project and the Downtown Project which are being developed together as a single project.

To develop the project, the Corporation is partnering with Marble Falls Hotel Group (“MFHG”) in the construction of a 116-room full-service resort hotel and approximately 16,000 square feet of meeting and restaurant space. The Corporation will contribute \$6 million to the \$35 million overall project and make annual lease payments to offset operational costs of the conference center. The hotel and conference center will act as a catalyst for the redevelopment of Downtown Marble Falls by connecting the historic Main Street District to Lake Marble Falls and providing the first substantial capital for the Tax Increment Reinvestment Zone created in 2012. The Corporation will use existing and new bond revenue to spur roughly \$10 million worth of public real improvements that will be enjoyed by tourists as well as local residents.

To develop the Project, the Corporation published notice of public hearing on the Project which it held on November 2, 2016. The City also held a public hearing on December 6, 2016. The City Council on December 20, 2016 adopted a resolution approving the project and authorizing the Corporation to issue bonds for the project. The Corporation adopted its resolution authorizing the previous bonds on December 20, 2016. Both the City Council and the Corporation will adopt resolutions authorizing the new Bonds on October 19, 2021.

To develop the current projects, the Corporation published notice of public hearing and intention to undertake certain projects on December 10, 2013 and held the public hearing on January 8, 2014. The City Council on February 4, 2014 adopted a resolution approving the projects.

#### **THE CITY**

The Corporation is reported as if it were a part of the City’s operations because it provides services entirely for the City. The City is a market and tourist center located on U.S. Highway 281. The City is located in the middle of the Texas Hill Country on the Colorado River, 47 miles northwest of Austin, Texas, 85 miles north of San Antonio, Texas in the middle of the Highland Lakes area, the largest chain of lakes in Texas. The City is a home rule municipality operating under its home rule charter (the “Charter”) since August 9, 1986. The City’s Home Rule Charter was last amended May 17, 2010. The Charter provides that the City will operate under the council/manager form of government pursuant to the laws of the State. The City Manager, appointed by the seven-member elected City Council, is the chief administrative officer of the City.

#### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

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

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. In addition, certain local officials, including the City of Marble Falls and Burnet County, have also declared a local state of disaster. 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 March 2, 2021, the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID- 19 and provides, generally, for the reopening of all businesses in the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 took effect on March 10, 2021. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect sales 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 re retirement and other post-employment benefits in the Future.

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

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued rations and financial condition, and the effect could be material.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar for the Bonds is UMB Bank, N.A., Austin, Texas (the "Paying Agent/Registrar"). In the Resolution, 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 commercial bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the 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 to Cede & Co. Interest on the Bonds is payable by check or draft mailed on or before each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the registration books maintained by the Paying Agent/Registrar on the Record Date (as defined herein) or by such other customary banking arrangement acceptable to the Paying Agent/Registrar and the registered owner to whom interest is to be paid, provided, however, that such person shall bear all risk and expense of such other arrangements. Principal of the Bonds and amounts due at maturity or upon prior redemption will be payable only upon presentation of such Bonds at the designated corporate trust office of the Paying Agent/Registrar at maturity or upon prior redemption; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein.

In the event the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day when banking institutions located 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 shall be the next succeeding day which is not a Saturday, Sunday, legal holiday or day when banking institutions are so authorized to close. Payment on such later day will not increase the amount of interest due and will have the same force and effect as if made on the original date payment was due.

### **Record Date**

The record date ("Record Date") for interest payable to the registered owner of a Bond on any interest payment date means the fifteenth calendar day of the month next preceding such 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 (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**

The Bonds are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event the Bonds are not in the Book-Entry-Only System, Bond certificates will be printed and delivered to the registered owners and thereafter 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 Bonds 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 or Exchange of Bonds**

Neither the Issuer nor the Paying Agent/Registrar shall be required (1) to make any transfer or exchange during a period beginning at the opening of business 15 days before the day of the first mailing of a notice of redemption of bonds and ending at the close of business on the day of such mailing, or (2) to transfer or exchange any Bonds so selected for redemption when such redemption is scheduled to occur within 30 calendar days; provided, however, such limitation shall not be applicable to an exchange by the registered owner of the uncalled principal balance of a Bond called for redemption in part.

## Replacement Bonds

In the Resolution, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the 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.

### BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The Corporation, 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 Corporation, the City, and the Underwriter cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or other notices given pursuant to the Resolution, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or notices given pursuant to the Resolution, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the 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 Bond certificate, in the aggregate principal amount of each maturity of the Bonds, will be issued and deposited with DTC.

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the 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 certificates 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 Bond 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 notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Corporation 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).

All 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 Corporation 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 Corporation, subject to any statutory or regulatory requirements as may be in effect from time to time. All payments on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Corporation or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Corporation or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the City, or the Underwriter take 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 Resolution will be given only to DTC.

### **SECURITY FOR THE BONDS**

#### **Pledge Under the Resolution**

In the Resolution, the Corporation covenants and agrees that the Pledged Revenues, with the exception of those in excess of the amounts required for the payment and security of the Bonds and any Additional Parity Obligations (together, the "Parity Obligations"), are irrevocably pledged to the payments of and security for the Parity Obligations, including the establishment and maintenance of the special funds created and established in the Resolution and any resolutions authorizing Additional Parity Obligations. Under the Resolution, the Pledged Revenues consist of (i) the Gross Sales Tax Revenues (defined below) from time to time deposited or owing to the Pledged Revenue Fund (defined below), and (ii) such other money, income, revenues, receipts or other property which the Corporation may expressly and specifically pledge to the payment of Parity Obligations.

The Resolution defines "Gross Sales Tax Revenues" as all of the revenues or receipts due or owing to, or collected or received by or on behalf of the Corporation by the City or otherwise from the Sales Tax (defined below), less any amounts due and owed to the Comptroller of Public Accounts of the State of Texas as charges for the collection of the Sales Tax or retention by the Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

The Resolution defines "Sales Tax" as the local sales and use tax authorized under the Act, approved at an election held on May 12, 2007, at a rate of one-half of one percent (1/2%), and levied by the City on behalf of the Corporation.

UNDER THE RESOLUTION, THE BONDS AND ANY ADDITIONAL PARITY OBLIGATIONS, INCLUDING INTEREST PAYABLE THEREON, CONSTITUTE OBLIGATIONS OF THE CORPORATION, PAYABLE SOLELY FROM, AND SECURED BY A LIEN ON AND PLEDGE OF THE PLEDGED REVENUES AND NOT FROM ANY OTHER REVENUES, PROPERTIES OR INCOME OF THE CORPORATION. THE BONDS DO NOT CONSTITUTE A DEBT OR OBLIGATION OF THE STATE OF TEXAS, OR OF THE CITY, BURNET COUNTY OR ANY AGENCY, POLITICAL CORPORATION OR SUBDIVISION THEREOF. NEITHER THE FULL FAITH AND CREDIT OF THE ISSUER, THE STATE, BURNET COUNTY, THE CITY NOR ANY OTHER AGENCY, POLITICAL CORPORATION OR SUBDIVISION OF THE STATE HAS BEEN PLEDGED FOR THE PAYMENT OF THE BONDS, EXCEPT AS DESCRIBED HEREIN.

#### **The Pledged Revenue Fund**

Under the terms of the Act and a resolution adopted by the City Council of the City (the "Sales Tax Collection Resolution") that relates to the collection, handling and transfer of sales tax revenue due to the Corporation (which was reaffirmed by City residents pursuant to an election), the pledged Sales Tax revenues are collected by the State Comptroller of Public Accounts and remitted periodically to the City for the benefit of the Corporation shall be deposited by the City as received to the credit of a fund or account of the Corporation to be known as the "Pledged Revenue Fund."

As explained below under "SECURITY FOR THE BONDS - Flow of Funds," the Gross Sales Tax Revenues held in the Pledged Revenue Fund are first to be used to make payments to the Bond Fund in amounts equal to one hundred percent (100%) of the interest on and principal of the Parity Obligations then due and payable.

#### **General Covenant Regarding the Sales Tax**

The Municipal Sales and Use Tax Act (Chapter 321, Texas Tax Code, as amended) provides that the Sales Tax does not apply to the sale of a taxable item unless the item is also taxable under the Texas Limited Sales, Excise and Use Tax Act (Chapter 151, Texas Tax Code, as amended). The Sales Tax is therefore subject to broadening and reduction in the base against which it is levied by action of the State Legislature without the consent of the City or the Corporation. (See "THE SALES TAX – Investor Considerations" herein.)



In the Resolution, the Corporation covenants and agrees that, while any Bonds are outstanding, it will take all legal means and actions permissible to cause the Sales Tax, at its current rate (1/2 of 1%), to be levied and collected continuously throughout the boundaries of the City, as such boundaries may be changed from time to time, in the manner and to the maximum extent legally permitted and to cause no reduction, abatement or exemption in the Sales Tax until all the Bonds have been paid in full or until they are lawfully defeased in accordance with the Resolution. The Corporation also covenants and agrees that if, subsequent to the issuance of the Bonds, the City is authorized by applicable law to impose and levy the Sales Tax on any items or transactions that are not subject to the Sales Tax on the date the Resolution was adopted, then the Corporation will use its best efforts to cause the City to take such action as may be required by applicable law to subject such items or transactions to the Sales Tax.

### **Flow of Funds**

All Pledged Revenues shall be deposited and transferred as received to the Pledged Revenue Fund. Moneys deposited in the Pledged Revenue Fund shall be pledged and appropriated to the following uses, in the order of priority shown:

**First.** To the payment, without priority, of all amounts required to be deposited into the Bond Fund for the payment of Debt Service on the Parity Obligations, as they become due and payable;

**Second.** To the payment of the amounts required to be deposited in the Reserve Fund, as further described below, to establish and maintain the Required Reserve (defined herein) and any reserve fund surety policy, in accordance with the provisions of the Resolution and any Supplemental Resolution;

**Third.** To the payment of the amounts required to be deposited in any other fund or account required by any Supplemental Resolution authorizing the issuance of Parity Obligations; and

**Fourth.** To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board authorizing the issuance of obligations or the creation of debt of the Issuer having a lien on the Pledged Revenues subordinate to the lien created in the Resolution for benefit of the Parity Obligations.

### **Reserve Fund Requirements**

The Resolution requires the Corporation to establish and maintain the Reserve Fund for the Parity Obligations (including the Bonds) in the event funds on deposit in the Bond Fund are insufficient for such purpose. The Corporation shall deposit and credit to the Reserve Fund amounts required to maintain the balance in the Reserve Fund in an amount equal to the average annual debt service requirements of the outstanding Parity Obligations (the "Required Reserve"). The average annual debt service requirements of the Bonds shall be calculated by the Corporation on the date of issuance of the Bonds and on each October 1 thereafter, and the Required Reserve to be maintained in the Reserve Fund after each such calculation shall be the amount determined by such calculation. When and for so long as the cash, investments and reserve fund surety policy in the Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the Reserve Fund. If the Reserve Fund at any time contains less than the Required Reserve, the Corporation covenants and agrees that the Corporation shall cure the deficiency in the Reserve Fund by making deposits to such Fund from the Pledged Revenues, in the order of priority described above, by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully restored; provided, however, that no such deposits shall be made into the Reserve Fund during any six-month period beginning on August 1 and February 1 until there has been deposited into the Bond Fund the full amount required to be deposited therein by the next following August 1 and February 1, as the case may be. In addition, in the event that a portion of the Required Reserve is represented by a reserve fund surety policy (see "Surety Policy" below), the Required Reserve and deposits to the Reserve Fund shall take into account such value of the reserve fund surety policy. The Corporation has further covenanted and agreed that, subject only to the prior deposits and credits to be made to the Bond Fund, the Pledged Revenues shall be applied, appropriated and used to establish and maintain the Required Reserve, including by paying payments under a reserve fund surety policy when due, and any reserve established for the benefit of any issue or series of Additional Parity Obligations and to cure any deficiency in such amounts as required by the terms of the Resolution and any other resolution pertaining to the issuance of Additional Parity Obligations.

Notwithstanding anything to the contrary contained in the Resolution, as herein described, the requirements described above to fund the Reserve Fund in the amount of the Required Reserve shall be suspended for such time as the Pledged Revenues for each fiscal year are equal to at least 110% of the average annual debt service requirements. In the event that the Pledged Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% of the average annual debt service requirements in any fiscal year, in which case the herein specified requirements to restore the Required Reserve will commence after such fiscal year) of the average annual debt service requirements, the Corporation will be required to commence making the deposits to fund the Reserve Fund as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve or (ii) the Pledged Revenues for a fiscal year have been equal to not less than 110% of the average annual debt service requirements.

### **Surety Policy**

In the Resolution the Corporation has retained the option, to be exercised at its discretion in the future, to fund all or part of the Required Reserve by purchasing an insurance policy that will unconditionally obligate the insurance company or other entity to pay all, or any part thereof, of the Required Reserve in the event funds on deposit in the referenced account are not sufficient to pay the debt service requirements on the Parity Obligations. In the event an insurance policy issued to satisfy all or part of the Corporation's obligation with respect to the Required Reserve causes the amount then on deposit in the Required Reserve to exceed the Required Reserve, the Corporation may transfer such excess amount to any fund or account established for the payment of or security for the Parity Obligations or use such excess amount for any lawful

purpose now or hereafter provided by law; provided, however, to the extent that such excess amount represents bond proceeds, then such amount must be used to satisfy the Required Reserve. No representation is hereby made that the Corporation will use such surety policy.

### **Additional Parity Obligations**

In addition to the right to issue obligations of inferior lien (as further described in the Resolution), the Corporation reserves the right to issue Additional Parity Obligations which, when duly authorized and issued in compliance with law and the terms and conditions hereinafter appearing, shall be on a parity with the Bonds herein authorized, payable from and equally and ratably secured by a lien on and pledge of the Pledged Revenues and the Bonds and Additional Parity Obligations shall in all respects be of equal dignity. The Additional Parity Obligations may be issued in one or more installments, provided, however, that none shall be issued unless and until the following conditions have been met:

(i) The Corporation is not then in default as to any covenant, condition or obligation prescribed in a resolution authorizing the issuance of the outstanding Parity Obligations, as attested to in a certificate of the Corporation's Treasurer.

(ii) Each of the funds created for the payment, security and benefit of the Parity Obligations including the Required Reserve as attested to in a certificate of the Corporation's Treasurer contains the amount of money then required to be on deposit therein.

(iii) The Corporation has secured from the Treasurer of the Corporation a certificate or report reflecting that for the most recently available audited financial statements for the fiscal year next preceding the dated date of the proposed Additional Parity Obligations, or a consecutive twelve (12) month period out of the eighteen (18) month period next preceding the month in which the resolution authorizing the proposed Additional Parity Obligations is adopted, the Gross Sales Tax Revenues were equal to at least 1.50 times the combined maximum annual principal and interest requirements on all Parity Obligations to be outstanding after the issuance of the proposed Additional Parity Obligations; provided, that, in the event of an increase in the rate of the Sales Tax that becomes effective prior to the date of the resolution authorizing the issuance of the Additional Parity Obligations, such certificate or report shall calculate the Gross Sales Tax Revenues for the calculation period as if such increased rate were in effect during such period.

(iv) The Additional Parity Obligations are made to mature on an interest payment date of each year in which they are scheduled to mature.

(v) The resolution authorizing the Additional Parity Obligations provides that: (i) the Bond Fund be augmented by amounts adequate to accumulate the sum required to pay the principal and interest on such obligations as the same shall become due; and (ii) the amount to be maintained in the Reserve Fund shall be increased to an amount not less than the Required Reserve calculated to include the debt service of the proposed additional obligations; and (iii) any additional amount required to be maintained in the Reserve Fund shall be deposited therein upon delivery of such Additional Parity Obligations or in not more than sixty (60) months from such date.

THE RESOLUTION DOES NOT PROVIDE FOR THE ACCELERATION OF THE BONDS IN THE EVENT OF A DEFAULT. (See "APPENDIX D - SELECTED PROVISIONS OF THE RESOLUTION" herein.)

### **THE SALES TAX**

The Sales Tax is a ½ of 1% limited sales and use tax imposed on all taxable transactions within the City as approved at an election held by and within the City on May 12, 2007. The Texas Tax Code prohibits a municipality from increasing its sales and use tax or adopting an additional sales and use tax if, as a result of such adoption or increase, the combined rate of all sales and use taxes imposed by the municipality and all other political subdivisions of the State having territory in the municipality would exceed two percent (2%) at any location in the municipality. The total rate of all State (6¼%) and local (2%) sales and use taxes levied in the City is currently 8¼%. The Sales Tax is authorized to be levied and collected against the receipts from the sale at retail of taxable items within the City. The Sales Tax also is an excise tax on the use, storage or other consumption of taxable tangible personal property purchased, leased or rented from a retailer within the City. The imposition, computation, administration, governance, abolition and use of the Sales Tax is governed by the Texas Limited Sales, Excise, and Use Tax Act except to the extent that there is conflict with the Act, in which case the provisions of the Act control as to the Bonds, and by the Municipal Sales and Use Tax Act, and reference is made thereto for a more complete description of the Sales Tax.

In general, as applied to the Sales Tax, a taxable item includes any tangible personal property and certain taxable services. "Taxable services" include certain amusement services, personal services, cable television services, motor vehicle parking and storage services, the repair, remodel, maintenance and restoration of most tangible personal property, certain telecommunication services, credit reporting services, debt collection services, insurance services, information services, real property services, data processing services, real property repair and remodeling, security services, telephone answering services, Internet access services, and distribution utility of transmission or delivery of service directly to an electricity end-use customer whose consumption of electricity is subject to taxation under Chapter 151 of the Texas Tax Code. Many items are exempted by State law from sales and use taxes, including items purchased for resale, food products (except food products which are sold for immediate consumption, e.g., by restaurants, lunch counters, etc.), health care supplies (including prescription medicines, corrective lens and various therapeutic appliances and devices), agricultural items (if the item is to be used exclusively on a farm or ranch or in the production of agricultural products), gas and electricity purchased for residential use (unless a city has taken steps to repeal the exemption), certain telecommunications services, newspapers and magazines. In addition, items which are taxed under other State laws are generally exempted from sales taxes. These items include certain natural resources, cement, motor vehicles, and insurance premiums. Alcohol and tobacco products are taxed under both State alcohol and tobacco taxes as well as through the sales taxes except that the following are exempt from the sales taxes: mixed beverages, ice or nonalcoholic beverages that are subject to State alcohol taxes (there is no local component of the State alcohol taxes and, thus, the City would not receive any revenue with respect to such sales) and alcoholic beverages when sold to the holder of a private

club registration permit under certain circumstances. In addition, purchases made by various exempt organizations are not subject to the sales and use taxes. Such organizations include the federal and state governments, political subdivisions, Indian tribes, religious institutions and certain charitable organizations and non-profit corporations, senior citizen organizations, and university and college student organizations. Also, State law provides an exemption from sales taxes on items purchased under a certain bids or written contracts in effect when the legislation authorizing such tax (or the increase in the rate thereof) is enacted, up to a maximum of three years. In general, a sale of a taxable item is deemed to occur within the municipality in which the sale is consummated. The tax levied on the use, storage or consumption of tangible personal property is considered to be consummated at the location where the item is first stored, used or consumed. Thus, the use is considered to be consummated in a municipality, and the tax is levied there if the item is shipped from outside the state to a point within the municipality.

In addition to the local sales and use taxes levied, as described above, the State levies and collects a 6 ¼% sales and use tax against essentially the same taxable items and transactions as the Sales Tax is levied. Under current State law, the maximum aggregate sales and use tax which may be levied within a given area by an authorized political subdivision within such area is 8¾% (within the City, 6 ¼% is levied by the State, 1% is levied by the City for its general use, ½ of 1% for property tax relief and ½ of 1% is levied for the benefit of the Corporation).

The Comptroller administers and enforces all sales tax laws and collects all sales and use taxes levied by the State, and levying counties, municipalities and other special districts having sales tax powers. Certain limited items are taxed for the benefit of the State under sales tax statutes, such as certain natural resources and other items described above, and are not subject to the sales tax base available to municipalities and counties, including the tax base against which the Sales Tax is levied. Municipalities may by local option determine to tax certain telecommunication services on the same basis as the State taxes such services (some aspects of telecommunication services, such as interstate telephone calls and broadcasts regulated by the FCC are not subject to either State or local taxation). With respect to the taxation of the residential use of gas and electricity, the State is not authorized to collect a sales tax, while municipalities, on a local option basis, may tax such use. **The City does not tax the residential use of gas and electricity.**

In recent years, several changes in the State sales tax laws have contributed to the growth of local sales tax revenues. These changes have added additional goods and services to the list of taxable items. Other items have been subjected to sales tax on an interim basis or have been taxed pursuant to legislation which includes planned phase-outs of the tax, including sales tax for tangible personal property used in manufacturing, processing, or fabrication operations with a useful life of at least six months that became totally exempt from sales tax in 1995. Subject to the right of the governing body of the City to repeal the sales tax holiday, during a three day period beginning the Friday before eight days prior to the earliest possible first day of school, articles of clothing, footwear, qualifying backpacks and school supplies with a cost less than \$100 are exempt from the sales tax as is 20% of the value of information services and data processing services. The first \$25 of a monthly charge for Internet access is exempt from sales tax (see however "THE SALES TAX – Investor Considerations" herein for a description of the state of sales taxation on Internet access), as is 20% of the value of information services and data processing services. Sales tax is due on over-the-counter drugs and medicines labeled with a national FDA drug code.

With certain exceptions, sales and use taxes in the State are collected at the point of sale and are remitted to the Comptroller by the "taxpayer" who is, generally speaking, the business that collects the tax resulting from a taxable transaction. Taxpayers owing \$500 or more sales and use tax dollars in a calendar month submit their tax collections to the Comptroller on a monthly basis; taxpayers owing less than \$500 sales and use tax dollars in a calendar month or less than \$1,500 in a calendar quarter submit their tax collections quarterly; and taxpayers owing less than \$1,500 in a calendar quarter submit their tax collections annually. Taxpayers are required to report and remit to the Comptroller by the 20th day of the month following the end of the reporting period. The reporting period for yearly filers ends each December 31; for quarterly filers, the reporting period ends at the end of each calendar quarter; and monthly filers report and remit by the 20th of each month for the previous month. The Comptroller is required by law to distribute funds to the receiving political subdivisions periodically and as promptly as feasible but not less frequently than twice during each fiscal year of the State. Historically, and at the present time, the Comptroller distributes the funds monthly with the largest payments being made quarterly in February, May, August and November. The Comptroller has initiated a direct deposit program using electronic funds transfers to expedite the distribution of monthly allocation checks. If a political subdivision desires to participate in the electronic funds transfers, it may make application to the Comptroller. **The City does participate in this program.** Otherwise, the Comptroller mails the monthly allocation check which is typically received by the middle of the month following the month in which the taxpayer reports and remits payment on the tax.

The Comptroller is responsible for enforcing the collection of sales and use taxes in the State. Under State law, the Comptroller utilizes sales tax permits, sales tax bonds and audits to encourage timely payment of sales and use taxes. Each entity selling, renting, leasing or otherwise providing taxable goods or services is required to have a sales tax permit. Permits are required for each individual location of a taxpayer and are valid for only one year, requiring an annual renewal. As a general rule, every person who applies for a sales tax permit for the first time, or who becomes delinquent in paying the sales or use tax, is required to post a bond in an amount sufficient to protect against the failure to pay taxes. The Comptroller's audit procedures include auditing the largest 2% of the sales and use tax taxpayers (who report about 65% of all sales and use tax in the State annually), each every three or four years. Other taxpayers are selected at random or upon some other basis for audits. The Comptroller also engages in taxpayer education programs and mails a report to each taxpayer before the last day of the month, quarter or year that it covers.

Once a taxpayer becomes delinquent in the payment of a sales or use tax, the Comptroller may collect the delinquent tax by using one or more of the following methods; (i) collection by an automated collection center or local field office, (ii) estimating the taxpayer's liability based on the highest amount due in the previous 12 months and billing them for it, (iii) filing liens and requiring a new or increased payment bond, (iv) utilizing forced collection procedures such as seizing assets of the taxpayer (e.g., a checking account) or freezing assets of the taxpayer that are in the custody of third parties, (v) removing a taxpayer's sales and use tax permit, and (vi) certifying the account to the Attorney General's Office to file suit for collection. A municipality may not sue for delinquent taxes unless it joins the Attorney General as a plaintiff or unless it first receives the permission of the Attorney General and the Comptroller.

The Comptroller retains 2% of the tax receipts for collection of the tax; additionally, under State law, a taxpayer may deduct and withhold ½% of the amount of taxes due on a timely return as reimbursement for the cost of collecting the sales and use taxes. In addition, a taxpayer who prepays its tax liability on the basis of a reasonable estimate of the tax liability for a month or quarter in which a prepayment is made, may deduct and withhold 1¼% of the amount of the prepayment in addition of the ½% allowed for the cost of collecting the sales and use tax.

### **Investor Considerations**

Sales Tax Volatility and Potential Changes in Sales Tax Base. The source primary of security for the Bonds will be receipts of the Sales Tax received by the City for the benefit of the Corporation. The amount of the revenues from the Sales Tax is closely related to the amount of economic activity in the City. Sales and use tax receipts, unlike other taxes levied by municipalities, immediately reflect changes in the economic conditions of a municipality.

Increases in Internet sales may result in a decrease in Sales Tax revenue to the Corporation. The emergence of Internet sales and services and issues related to taxation of such sales and services have been the subject of review and study at the state and national level. In October 1998, the United States Congress enacted the Internet Tax Freedom Act which provided a three year moratorium on certain aspects of taxation of the Internet (existing taxes imposed by Texas were exempted from the moratorium). Congress extended the moratorium for additional three-year terms in 2001 and 2004. In October 2007, Congress extended the moratorium for an additional seven years through 2014. On June 9, 2015, the United States House of Representatives voted and approved by voice vote the Permanent Internet Tax Freedom Act (the "PITFA") which would ban state and local Internet access taxation. The United States Senate never took action on the PITFA. The relevant provisions of the PITFA were added to Section 922 of the Trade Facilitation and Trade Enforcement Act (the "Trade Act"), signed into law by President Obama on February 24, 2016. The Trade Act bans Internet access taxes and imposes a firm end date on those states still imposing the tax. However, the Trade Act did not resolve the issue of whether a local government may impose sales taxes on online purchases. Legislative changes relating to the taxation of Internet sales and services, and any effect of such changes on the Sales Tax received by the Corporation, cannot be predicted at this time.

Historically, the Comptroller has remitted sales and use tax allocation checks to municipalities on a monthly basis, but State law currently requires that such allocation be made at least twice annually and such procedures could change in the future. Additionally, the taxable items and services subject to State and local sales and use taxes are subject to legislative action, and have been changed in recent years by the State Legislature. State law provides that the Sales Tax cannot be levied against any taxable item or service unless such item or service is also subject to the State sales and use tax.

In recent years the State Legislature has enacted laws permitting the State, together with its political subdivisions, to levy sales and use taxes of up to 8¼%, which is among the highest sales tax rates in the nation (although the State has no personal or corporate income tax), and the current total sales and use tax rate within the City's boundaries is 8¼% (including 6 ¼% State sales tax, 1% for the City's general use, ½ of 1% for property tax relief, and ½ of 1% for the benefit of the Corporation). The rate of the sales and use taxes authorized in the State could be further increased by the State Legislature and the Corporation has no way of predicting any such increase or the effect that would have on the Sales Tax which will secure the Bonds. State leaders have appointed committees to study methods of achieving greater tax equity within the State's tax system. Any changes which may be enacted by the State Legislature could affect the tax base against which the Sales Tax is levied, and the City (and hence the Corporation, as the beneficiary of the City's action), except in certain limited instances described below, has no control over the components of the tax base. Neither the City nor the Corporation currently has statutory authority to increase or decrease the maximum authorized rate of the Sales Tax.

Tax receipts received by the Corporation are expected to be subject to seasonal variations and to variations caused by the State laws and administrative practices governing the remittance of sales and use tax receipts which authorize different taxpayers to remit the tax receipts at different times throughout the year. (See "Table 5 – SALES TAX COLLECTIONS –MARBLE FALLS EDC" and Table 6 – SALES TAX COLLECTIONS – CITY OF MARBLE FALLS, TEXAS" in APPENDIX A for more detail on actual sales and use tax collections over the past few years).

The Sales Tax is collected by the Comptroller and remitted to the City along with other City sales and use tax receipts. The City allocates a portion of the receipts to the Corporation which represents the ½ of 1% tax rate of the Sales Tax. Generally, sales and use taxes in the State are collected at the point of a taxable transaction and remitted by the taxpayer to the Comptroller. The Comptroller has the primary responsibility for enforcing sales and use tax laws and collecting delinquent taxes. The collection efforts of the Comptroller are subject to applicable federal bankruptcy code provisions with respect to the protection of debtors.

**Changes in the tax base against which a sales and use tax is assessed, as well as changes in the rate of such taxes, make projection of future tax revenue collections very difficult. No independent projections have been made with respect to the revenues available to pay debt service on the Bonds.**

Historical information regarding the State's sales tax base, gross sales within the City, and sales within the City which are subject to the State sales and use tax is included herein, and while the Corporation has no reason to expect that receipts of the Sales Tax will ever be insufficient to pay its outstanding Sales Tax secured debt, it makes no representation that, over the term of the Bonds, sales and services within the City will provide sufficient Sales Tax receipts to pay the Bonds and Additional Parity Obligations, if any. (See "Table 5 – SALES TAX COLLECTIONS – MARBLE FALLS EDC" in APPENDIX A hereto.)

## BOND INSURANCE

### **BOND INSURANCE POLICY**

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

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

### **ASSURED GUARANTY MUNICIPAL CORP.**

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

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

#### *Current Financial Strength Ratings*

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

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

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

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

#### *Capitalization of AGM*

At June 30, 2021:

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

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

#### *Merger of Municipal Assurance Corp. ("MAC") into AGM*

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

#### *Incorporation of Certain Documents by Reference*

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

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

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

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

#### *Miscellaneous Matters*

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

#### **BOND INSURANCE RISK FACTORS**

*The Corporation has obtained a commitment from the Insurer to provide the Policy relating to the Bonds. The following risk factors related to the municipal bond insurance policies generally apply.*

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

Payment of principal and interest is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist. See "THE BONDS – Bondholders' Remedies". The Bond Insurer may reserve the right to direct and may require consent to any remedies that the Paying Agent/Registrar exercises and the Bond Insurer's consent may be required in connection with amendments to any applicable Bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the Pledged Revenues pursuant to the applicable Bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

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

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

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

#### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

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

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

#### **INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER**

The Corporation invests its investable funds in investments authorized by State law in accordance with investment policies approved by the Board of Directors. Both State law and the Corporation's investment policies are subject to change. As required under State law, the Corporation reviews its investment policy on an annual basis.

#### **Legal Investments**

Under State law, the Corporation is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit and share certificates meeting the requirements of the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, (the "PFIA") (i) that are issued by or through an institution that has its main office or a branch office in Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for Corporation deposits; or (ii) where (a) the funds are invested by the Corporation through (I) a broker that has its main office or a branch office in the State and is selected from a list adopted by the Corporation as required by law or (ii) a depository institution that has its main office or a branch office in the State that is selected by the Corporation; (b) the broker or the depository institution selected by the Corporation arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the Corporation; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the Corporation appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the Corporation with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the Corporation, held in the Corporation's name, and deposited at the time the investment is made with the Corporation or with a third party selected and approved by the Corporation and are placed through a primary government securities dealer, as defined by the Federal Reserve,

or a financial institution doing business in the State; (9) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (11) through (13) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the Corporation, held in the Corporation's name and deposited at the time the investment is made with the governmental body or a third party designated by the governmental body; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (10) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (11) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (12) no-load money market mutual funds registered with and regulated by the United States Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of \$1 for each share; and (13) no-load mutual funds registered with the United States Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

The Corporation may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than "AAA" or "AAA-m" or an equivalent by at least one nationally recognized rating service. The Corporation may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the Corporation retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Corporation must do so by order, ordinance, or resolution. The Corporation is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

#### **Investment Policies**

Under State law, the Corporation 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 Corporation funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All Corporation 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 Corporation'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 Corporation's investment officers must submit an investment report to the Board of Directors detailing: (1) the investment position of the Corporation, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) relevant provisions of the PFIA. No person may invest Corporation funds without express written authority from the Board of Directors.

#### **Additional Provisions**

Under State law, the Corporation is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the Corporation to disclose the relationship and file a statement with the Texas Ethics Commission and the Board of Directors; (4) require the qualified representative of firms offering to engage in an investment transaction with the Corporation to: (a) receive and review the Corporation's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the Corporation and the business organization that are not authorized by the Corporation's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the Corporation's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the Corporation and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the Corporation's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in non-money market mutual funds in the aggregate to no more than 15% of the Corporation's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local



government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the Corporation.

### **Current Investments**

As of July 31, 2021, all of the Corporation's investable funds in the amount of \$9,562,660 (unaudited) were invested in a Pooled Cash Bank Account with the Corporation's depository bank.

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

### **ANTICIPATED ISSUANCE OF ADDITIONAL DEBT**

The Corporation does not anticipate the additional issuance of debt in the next twelve months.

The Corporation will continue to explore opportunities for economic development and may make commitments with respect to funds on hand available for such purpose or from moneys to be received subject to the flow of funds under the Resolution or through the issuance of Additional Parity Obligations.

### **RATING**

S&P Global Rating, a division of S&P Global Ratings Inc. ("S&P") has assigned an insured rating of "AA" to the Bonds with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Bonds will be issued by Assured Guaranty Municipal Corp. The Bonds have an underlying rating of "A+" by S&P. The rating of the Bonds by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that such a rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

### **TAX MATTERS**

The following discussion describes certain U.S. federal income tax considerations of United States persons that are beneficial owners ("Owners") of the Bonds. This discussion is based upon the provision of the Internal Revenue Code of 1986, as amended (the "Code"), applicable Treasury Regulations promulgated and proposed thereunder, judicial authority and administrative interpretations, as of the date hereof, all of which are subject to change, possibly with retroactive effect, or are subject to different interpretations. Owners cannot be assured that the Internal Revenue Service (the "Service") will not challenge one or more of the tax consequences described herein, and neither the Corporation nor Bond Counsel has obtained, nor does the Corporation or Bond Counsel intend to obtain, a ruling from the Service with respect to the U.S. federal tax consequences of acquiring, holding or disposing of the Bonds. This summary is limited to initial holders who purchase the Bonds for cash at their "issue price" (which will equal the first price at which a substantial portion of the Bonds are sold for cash to persons other than bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers) and who hold the Bonds as capital assets within section 1221 of the Code (generally property held for investment).

This summary does not discuss all of the tax consequences that may be relevant to an Owner in light of its particular circumstances or to Owners subject to special rules, such as certain financial institutions, insurance companies, tax-exempt organizations, foreign taxpayers, taxpayers who may be subject to the alternative minimum tax or personal holding company provisions of the Code, dealers in securities or foreign currencies, or Owners whose functional currency (as defined in section 985 of the Code) is not the U.S. dollar, or to an Owner that might have purchased the Bonds in circumstances that would give rise to original issue discount, acquisition premium, market discount or amortizable premium. Except as stated herein, this summary describes no federal, state or local tax consequences resulting from the ownership of, receipt of interest on, or disposition of, the Bonds. Investors who are subject to special provisions of the Code should consult their own tax advisors regarding the tax consequences to them of purchasing, holding, owning and disposing of the Bonds, including the advisability of making any of the elections described below, before determining whether to purchase the Bonds.

The Code generally defines a "United States person" as (i) an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States, (ii) a corporation or other entity taxable as a corporation for U.S. federal income tax purposes, that was created or organized in or under the laws of the United States, and any state thereof or the Corporation of Columbia or any political subdivision thereof, (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source, and (iv) a trust whose administration is subject to the primary supervision of a United States court and which has one or more United States persons who have the authority to control all substantial decisions of the trust.

If a partnership (including an entity treated as a partnership for U.S. federal income tax purposes) holds Bonds, the tax treatment of a partner will generally depend upon the status of the partner and the activities of the partnership.

Any Owner of the Bonds that is a partner of a partnership that will hold Bonds should consult its tax advisor. This discussion does not address any tax considerations arising under the laws of any foreign, state, local or other jurisdiction.

## Payments of Interest

Stated interest paid (and other original issue discount) on each Bond will generally be taxable in each tax year held by an Owner as ordinary interest income without regard to the time it otherwise accrues or is received in accordance with the Owner's method of accounting for federal income tax purposes.

## Disposition or Retirement

Upon the sale, exchange or certain other dispositions of a Bond, or upon the retirement of a Bond (including by redemption), an Owner will generally recognize capital gain or loss. This gain or loss will equal the difference, if any, between the Owner's adjusted tax basis in the Bond and the proceeds the Owner receives, excluding any proceeds attributable to accrued interest, which will be recognized as ordinary interest income to the extent the Owner has not previously included in the accrued interest income.

The proceeds an Owner receives will include the amount of any cash and the fair market value of any other property received for the Bond. An Owner's tax basis in the Bond will generally equal the amount the Owner paid for the Bond. The gain or loss will be long-term capital gain or loss if the Owner held the Bond for more than one year. Long-term capital gains of individuals, estates and trusts currently are subject to a reduced tax rate. The deductibility of capital losses may be subject to limitation.

## Information Reporting and Backup Withholding

Information reporting will apply to payments of interest on, or the proceeds of the sale or other disposition of, the Bonds held by an Owner, and backup withholding may apply unless such Owner provides the appropriate intermediary with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the Owner's actual U.S. federal income tax liability and such Owner timely provides the required information or appropriate claim form to the Service.

## CONTINUING DISCLOSURE OF INFORMATION

In the Resolution, the Corporation has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The Corporation is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the Corporation 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](http://www.emma.msrb.org).

## Annual Reports

The Corporation will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the Corporation of the general type included in Tables 1 through 8 of Appendix A to this Official Statement. The Corporation will update and provide this information within six months after the end of each fiscal year ending in or after 2021. The Corporation will additionally provide audited financial statements when and if available, and in any event, within 12 months after the end of each fiscal year ending in and after 2021. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the Corporation will file unaudited financial statements within such 12 month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX E or such other accounting principles as the Corporation may be required to employ from time to time pursuant to State law or regulation. The Corporation 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 Corporation 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 Corporation's current fiscal year end is September 30. Accordingly, it must provide updated financial information and operating data by the last day of March in each year and the audited financial statements must be provided by September 30 of each year, unless the Corporation changes its fiscal year. If the Corporation changes its fiscal year, it will notify the MSRB of the change.

## Notice of Certain Events

The Corporation will also provide timely notices of certain events to the MSRB. The Corporation 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; (7) modifications to rights of holders of the Bonds, if material; (8) redemption 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 Corporation, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the Corporation or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material to a decision to purchase or sell Bonds; (15) incurrence of a Financial Obligation of the Corporation, if

material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the Corporation, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the Corporation, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning as ascribed to it under federal securities laws. . In addition, the Corporation will provide timely notice of any failure by the Corporation to provide annual financial information in accordance with their agreement described above under "Annual Reports". Neither the Bonds nor the Resolution make provisions for liquidity enhancement or debt service reserves.

For these purposes, 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 Corporation 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 Corporation, 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 Corporation. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule. The Corporation intends the words used in the above 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 from MSRB**

The Corporation has agreed to provide the foregoing information only to the MSRB. All documents provided by the Corporation to the MSRB described in an electronic format and accompanied by identifying information as prescribed by the MSRB. This information will be available from the MSRB via its EMMA system at [www.emma.msrb.org](http://www.emma.msrb.org).

#### **Limitations and Amendments**

The Issuer has agreed to update information and to provide notices of certain specified events only as described above. The Issuer 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 Issuer 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 Issuer 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 Issuer to comply with its agreement.

The Issuer may amend its agreement to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the Issuer, 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, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and either the holders of a majority in aggregate principal amount of the outstanding Bonds consent or any person unaffiliated with the Issuer (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the beneficial owners of the Bonds. The Issuer may also repeal or amend its agreement if the SEC amends or repeals the applicable provisions of the Rule or any court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but in either case only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds giving effect to (a) such provisions as so amended and (b) any amendments or interpretations of the Rule. If the Issuer amends its agreement, it must include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

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

During the past five years the Corporation has complied in all material respects with its continuing disclosure agreements entered into pursuant to the Rule

### **OTHER PERTINENT INFORMATION**

#### **Legal Matters**

The Issuer will furnish to the Underwriter 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 Texas to the effect that the Bonds are valid and legally binding special obligations of the Corporation, 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 Resolution, are valid and legally binding obligations of the Corporation. 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. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under the captions or subcaptions "THE BONDS" (other than the information under the subcaptions "Payment Record", "Use of Bond Proceeds" and "Bondholders' Remedies", as to which no opinion is expressed), "SECURITY FOR THE BONDS", "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (other than the information under the subcaption "Compliance with Prior Agreements", as to which no opinion is expressed), and the subcaptions "Legal Matters" (except for the last two sentences of the second paragraph thereof, as to which no opinion is expressed), "Registration and Qualification of Bonds for Sale", and "Legal Investments and Eligibility

to Security Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION" in the Official Statement, and "SELECTED PROVISIONS OF THE RESOLUTION" in APPENDIX D, and such firm is of the opinion that the information relating to the Bonds and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the provisions of the Resolution. The legal opinion may accompany the Bonds deposited with DTC or may be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System.

Such firm has not, however, independently verified any of the factual information contained in this Official Statement nor has it conducted an investigation of the affairs of the Issuer for the purpose of passing upon the accuracy or completeness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to the accuracy or completeness of any of the information contained herein. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the Corporation and the City in connection with the issuance of the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The fees of Underwriter's Counsel are contingent upon the delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the respective 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 that expression of professional judgment, of the transaction opened 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.

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

The sale of the Bonds has not been registered under the Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2). The Bonds have not been approved or disapproved by the SEC, nor has the SEC passed upon the accuracy or adequacy of the Official Statement. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities acts of any other jurisdiction. The Corporation assumes no responsibility for registration or 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 registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions.

It is the obligation of the Underwriter to register or qualify sale of the Bonds under the securities laws of any jurisdiction which so requires. The Corporation will cooperate, at the Underwriter's written request and 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 Corporation shall not be required to execute a general or special consent to service of process in any jurisdiction.

### **Litigation**

At the time of this Official Statement, neither the Issuer nor the City is a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either State or federal) which, if decided adversely to the Issuer or the City, would have a material adverse effect on the financial condition of the Issuer.

On the date of delivery of the Bonds to the Underwriter, the Corporation will execute and deliver to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is pending, as of that date, to restrain or enjoin the issuance or delivery of the Bonds or which would affect the provisions made for their payment or security or in any manner question the validity of the Bonds.

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

Section 1201.041 of the Public Security Procedures Act, as amended, provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, 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. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency. (See "RATING" herein.) In addition, various provisions of the Texas Finance Code, as amended, provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review by the City or the Corporation has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. Neither the City nor the Corporation has made an investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

### **Underwriting**

FHN Financial (the "Underwriter") has agreed, subject to certain conditions, to purchase the Bonds from the Issuer at a price of \$8,146,628.51 (representing the par amount of the Bonds of \$8,010,000.00, plus a net reoffering premium of \$192,187.50, and less an Underwriter's discount of \$55,558.99), plus accrued interest on the Bonds from the Dated Date to the date of initial delivery of the Bonds to the Underwriter.

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

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

**Forward-Looking Statements Disclaimer**

The statements contained in this Official Statement, and in any other information provided by the Issuer, that are not purely historical, are forward-looking statements, including statements regarding the Issuer'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 Issuer on the date hereof, and the Issuer assumes no obligation to update any such forward-looking statements. The Issuer's actual results could differ materially from those discussed in such forward-looking statements.

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the Issuer. 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.

**Financial Advisor**

SAMCO Capital Markets, Inc., as Financial Advisor to the Corporation and the City, 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 Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds. In the normal course of business, the Financial Advisor may also from time to time sell investment securities to the Corporation or the City for the investment of bond proceeds or other funds of the Corporation or City upon request.

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, and as part of, its responsibilities to the Corporation, 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.

**Miscellaneous**

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

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, the Rule.

The Resolution approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto issued on behalf of the Corporation, and authorized its further use in the reoffering of the Bonds by the Underwriter.

This Official Statement was approved by the Board of Directors of the Corporation for distribution in accordance with the provisions of the SEC rule codified at 17 C.F.R. Section 240.15c2-12.

MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION

/s/ Steve Reitz  
President, Board of Directors

ATTEST:

/s/ Christina McDonald  
Secretary, to the Board of Directors

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**APPENDIX A**  
**FINANCIAL INFORMATION OF THE ISSUER**

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**FINANCIAL INFORMATION FOR THE ISSUER**

**SALES TAX DEBT SERVICE REQUIREMENTS**

**TABLE 1**

Fiscal Year Ending Sept. 30	Currently Outstanding Debt Service	The Bonds			Total	Total Net Debt Service
		Principal	Interest			
2022	\$ 892,225	\$ 470,000	\$ 215,971	\$ 685,971	\$ 1,578,196	
2023	890,684	440,000	238,765	678,765	1,569,449	
2024	893,654	100,000	225,765	325,765	1,219,419	
2025	891,046	100,000	221,765	321,765	1,212,811	
2026	891,363	100,000	217,765	317,765	1,209,128	
2027	896,052	100,000	213,765	313,765	1,209,817	
2028	509,088	385,000	204,065	589,065	1,098,153	
2029	508,175	400,000	188,365	588,365	1,096,540	
2030	511,550	415,000	172,065	587,065	1,098,615	
2031	508,975	430,000	158,498	588,498	1,097,473	
2032	510,688	445,000	147,000	592,000	1,102,688	
2033	511,450	455,000	134,400	589,400	1,100,850	
2034	511,263	470,000	121,450	591,450	1,102,713	
2035	510,125	480,000	108,150	588,150	1,098,275	
2036	508,038	495,000	93,634	588,634	1,096,672	
2037	-	510,000	77,805	587,805	587,805	
2038	-	530,000	61,425	591,425	591,425	
2039	-	545,000	44,494	589,494	589,494	
2040	-	560,000	27,090	587,090	587,090	
2041	-	580,000	9,135	589,135	589,135	
<b>Total</b>	<b>\$ 9,944,376</b>	<b>\$ 8,010,000</b>	<b>\$ 2,881,371</b>	<b>\$ 10,891,371</b>	<b>\$ 20,835,747</b>	

**DEBT SERVICE COVERAGE**

**TABLE 2**

Maximum Annual Debt Service Requirements (2023)	\$ 1,578,196
Gross Sales Tax Revenues for Fiscal Year 2019-2020	\$ 2,488,135
Estimated Pro Forma Coverage based on Total Revenues Available	1.58X
Average Annual Debt Service	\$ 1,041,787
Gross Sales Tax Revenues for Fiscal Year 2019-2020	\$ 2,488,135
Estimated Pro Forma Coverage based on Total Revenues Available	2.39X

**PRINCIPAL REPAYMENT SCHEDULE****TABLE 3***(As of October, 2021)*

<b>Fiscal Year Ending 9-30</b>	<b>Principal Repayment Schedule</b>			<b>Principal Unpaid at End of Year</b>	<b>Percent of Principal Retired (%)</b>
	<b>Currently Outstanding <sup>(1)</sup></b>	<b>The Bonds</b>	<b>Total</b>		
2022	\$ 605,000	\$ 470,000	\$ 1,075,000	\$ 14,495,000	
2023	620,000	440,000	1,060,000	13,435,000	
2024	640,000	100,000	740,000	12,695,000	
2025	655,000	100,000	755,000	11,940,000	
2026	675,000	100,000	775,000	11,165,000	28.29%
2027	700,000	100,000	800,000	10,365,000	
2028	335,000	385,000	720,000	9,645,000	
2029	350,000	400,000	750,000	8,895,000	
2030	370,000	415,000	785,000	8,110,000	
2031	385,000	430,000	815,000	7,295,000	53.15%
2032	405,000	445,000	850,000	6,445,000	
2033	425,000	455,000	880,000	5,565,000	
2034	445,000	470,000	915,000	4,650,000	
2035	465,000	480,000	945,000	3,705,000	
2036	485,000	495,000	980,000	2,725,000	82.50%
2037	-	510,000	510,000	2,215,000	
2038	-	530,000	530,000	1,685,000	
2039	-	545,000	545,000	1,140,000	
2040	-	560,000	560,000	580,000	
2041	-	580,000	580,000	-	100.00%
<b>Total</b>	<b>\$ 7,560,000</b>	<b>\$ 8,010,000</b>	<b>\$ 15,570,000</b>		

<sup>(1)</sup> Excludes payments to the City for a portion of its Certificates of Obligation, Series 2018 ("City 2018 Obligations") and are subordinate to the payment due on the Prior Lien Bonds.

**REVENUE BOND DEBT DATA****TABLE 4**

Revenue Bond Debt Principal Outstanding (as of October 1, 2021)	
Sales Tax Revenue Bonds, Taxable Series 2017	\$ 5,395,000
Sales Tax Revenue Bond, Taxable Series 2020	<u>2,165,000</u>
Total	\$ 7,560,000
Prospective Sales Tax Revenue Bond Debt Principal	
Sales Tax Revenue Bonds, Series 2021 (the "Bonds")	<u>8,010,000</u>
Total Revenue Debt Principal Outstanding Following the Issuance of the Bonds	\$ 15,570,000

**SALES TAX COLLECTIONS - MARBLE FALLS EDC**

**TABLE 5**

The following table shows a five-year history of Sales Tax collections for the Marble Falls Economic Development Corporation's 1/2 of 1% of sales tax, as well as fiscal year 2021 year-to-date (unaudited) collections. It **does not include** sales tax collections for the 1% general sales tax for the City, or the 1/2 of 1% collections for property tax relief.

The Marble Falls Economic Development Corporation sales tax levy and collection of 1/2 of 1% was approved by voters at an election held on May 12, 2007.

	Year-to-Date					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020-2021 <sup>(1)</sup>	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
October	\$ 201,165	\$ 194,334	\$ 176,513	\$ 171,366	\$ 159,987	\$ 137,128
November	232,713	202,696	197,308	189,925	174,775	167,458
December	208,736	189,372	188,311	169,597	151,360	143,900
January	211,816	186,874	182,794	170,707	160,615	149,937
February	258,289	237,435	222,746	205,435	201,559	194,102
March	195,482	170,674	171,555	140,718	172,525	134,517
April	175,161	169,741	181,680	155,927	163,701	142,174
May	303,698	218,908	213,251	213,975	197,317	177,003
June	263,844	192,847	207,943	177,920	170,472	162,024
July	257,699	217,886	197,829	188,774	172,905	161,458
August	296,767	252,415	206,142	209,735	201,776	192,730
September	257,699	218,130	209,689	184,074	180,591	171,477
Total	\$ 2,863,070	\$ 2,451,313	\$ 2,355,761	\$ 2,178,153	\$ 2,107,583	\$ 1,933,909

<sup>(1)</sup> As of August, 2021; unaudited.

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

**Note: Sales tax revenues noted above are listed by the month in which the City received them from the State, which is two months after they are generated.**

**SALES TAX COLLECTIONS - CITY OF MARBLE FALLS, TEXAS**

**TABLE 6**

The following table shows a five-year history of Sales Tax collections for the City's 1% general sales tax receipts and 1/2 of 1% for property tax relief and is provided for informational purposes only. It **does not include** 1/2 of 1% sales tax collections for the Marble Falls Economic Development Corporation.

**Revenues from the City's 1% general sales tax receipts ARE NOT PLEDGED to the payment of the Bonds.**

	Year-to-Date					
	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year	Fiscal Year
	2020-2021 <sup>(1)</sup>	2019-2020	2018-2019	2017-2018	2016-2017	2015-2016
October	\$ 603,494	\$ 583,001	\$ 529,538	\$ 514,098	\$ 479,960	\$ 411,385
November	698,139	608,089	591,924	569,776	524,325	502,373
December	626,207	568,115	564,933	508,791	454,079	431,701
January	635,449	560,622	548,382	512,121	481,845	449,811
February	774,867	712,306	668,238	616,306	604,676	582,305
March	586,446	512,023	514,664	422,154	517,576	403,551
April	525,483	509,224	545,040	467,781	491,103	426,523
May	911,095	656,725	639,753	641,924	591,951	531,010
June	791,531	578,541	623,829	533,759	511,417	486,072
July	773,098	653,659	593,487	566,321	518,714	484,374
August	890,302	757,246	618,427	629,206	605,328	578,190
September	773,097	654,390	629,068	552,222	541,774	514,432
Total	\$ 8,589,209	\$ 7,353,938	\$ 7,067,283	\$ 6,534,458	\$ 6,322,749	\$ 5,801,728

<sup>(1)</sup> As of August, 2021; unaudited.

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

**Note: Sales tax revenues noted above are listed by the month in which the City received them from the State, which is two months after they are generated.**

## CORPORATION OPERATING STATEMENT

TABLE 7

	Fiscal Year Ended September 30				
	2020	2019	2018	2017	2016
Fund Balance - Beginning of Year	\$ 2,333,766	\$ 2,353,298	\$ 2,025,808	\$ 2,462,937	\$ 2,089,024
Revenues					
Sales Taxes	\$ 2,488,135	\$ 2,378,945	\$ 2,190,857	\$ 2,134,112	\$ 1,964,085
Other Revenues	68,366	481,955	101,451	87,226	54,051
Total Revenues	\$ 2,556,501	\$ 2,860,900	\$ 2,292,308	\$ 2,221,338	\$ 2,018,136
Expenditures					
General Government	\$ 721,777	\$ 655,174	\$ 641,391	\$ 871,787	\$ 965,484
Capital Outlay	303,209	1,186,787	250,068	828,673	159,110
Debt Service	535,000	520,000	1,133,354	1,158,061	726,308
Bond Issuance Costs	381,376	400,368	-	-	-
Total Expenditures	\$ 1,941,362	\$ 2,762,329	\$ 2,024,813	\$ 2,858,521	\$ 1,850,902
Excess of Revenues Over Expenditures	\$ 615,139	\$ 98,571	\$ 267,495	\$ (637,183)	\$ 167,234
Other Financing Sources (Uses):					
Capital-related Debt Issued	\$ -	\$ -	\$ -	\$ -	\$ -
Sale of Capital Assets	294,592	123,767	84,995	260,054	86,150
Payment to Escrow Agent	-	-	-	-	-
Proceeds from Insurance	-	7,054	-	-	-
Transfers In (Out)	(828,101)	(248,924)	(25,000)	(60,000)	120,529
Total	\$ (533,509)	\$ (118,103)	\$ 59,995	\$ 200,054	\$ 206,679
Fund Balance - End of Year	\$ 2,415,396	\$ 2,333,766	\$ 2,353,298	\$ 2,025,808	\$ 2,462,937
Gross Sales Tax Receipts	2,488,135	2,378,945	2,190,857	2,134,112	1,964,085
Annual Debt Service Payment*	1,011,438	1,010,923	1,158,061	1,158,061	726,308
Debt Service Coverage	2.46X	2.35X	1.89X	1.84X	2.70X

Source: The City's Comprehensive Annual Financial Reports.

\* Includes Prior Lien Bonds and the EDC's portion of the City's 2018 Obligations.

## FUND BALANCE

TABLE 8

(As of October 1, 2021, unaudited)

Economic Development Corporation Fund \$ 3,028,487

**APPENDIX B**  
**GENERAL INFORMATION REGARDING THE**  
**CITY OF MARBLE FALLS, TEXAS AND BURNET COUNTY, TEXAS**

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## CITY OF MARBLE FALLS, TEXAS

### Location

The City of Marble Falls, Texas (the "City") is located in the heart of the Texas Hill Country on U.S. 281. The City is 47 miles northwest of Austin and 85 miles north of San Antonio. The City lies immediately north of Lake Marble Falls, one of a chain of lakes created by dams on the Colorado River, collectively known as the Highland Lakes. The six Highland lakes – Buchanan, Inks, LBJ, Marble Falls, Travis and Austin – form the largest chain of lakes in Texas.

### Government

The City is a Home Rule municipal corporation operating under its own charter since August 9, 1986. The charter provides that the City will operate under the council/manager form of government pursuant to the laws of the State of Texas. The City Council consists of the Mayor and six Council-Members, all elected at large for two year terms and for no more than three consecutive terms. The City Council appoints the City Manager, who is the City's chief administrative officer.

### Population

Calendar Year	City of Marble Falls
2011	7,200
2012	7,200
2013	6,057
2014	6,337
2015	6,279
2016	6,325
2017	6,397
2018	6,905
2019	6,932
2020	7,151

### Economy

The City is a market and tourist center. Nearby Granite Mountain is the site of a quarry where commercial granite is recovered in vast quantities. Located in the middle of Highland Lakes, the City lies adjacent to hundreds of miles of waterway which offers tourists all types of recreational activity. Horseshoe Bay is a resort on Lake LBJ approximately five miles from the City. Among the seven golf courses located within a 20-mile radius of the City are 54 holes designed by Robert Trent Jones at Horseshoe Bay. Tourists are also attracted to the natural beauty of the Texas Hill Country surrounding the City.

## BURNET COUNTY, TEXAS

### Location

Burnet County, Texas (the "County" or "Burnet County") was created in 1852 from parts of Bell, Williamson and Travis Counties, Texas and named after David G. Burnet, provisional president of the Republic of Texas. Its county seat is Burnet, which is located in the center of the County, with Marble Falls to the South, Bertram to the East. Burnet is named as "The Bluebonnet Capital of Texas". Burnet County is traversed by U.S. Highways 183 and 281, State Highways 29 and 71 and six farm-to-market roads.

Activities that attract tourists to the County include hunting, fishing, water sports, Longhorn Caverns and Inks Lake State Park.

Minerals produced in the County include stone, graphite, sand and gravel. The Texas Almanac designates cattle, sheep, and goats as principal sources of agricultural income. Wholesale and retail trades also make significant contributions to the economy of the County.

Recreation in Burnet County includes scenic drives, visits to lakes (Buchanan, Inks, LBJ, Marble Falls or Travis) and trips to Inks Lake State Park or Longhorn Caverns State Park. There are ample opportunities for hunting and fishing.

## Principal Employers

Employer	Employees	Percentage of Total County Employment
Marble Falls ISD	693	3.03%
Horsehoe Bay Resort & Marriott	662	2.89%
Baylor, Scott & White	573	2.50%
Burnet CISD	503	2.20%
H.E.B. Grocery	440	1.92%
Burnet County	400	1.75%
Wal-Mart Stores, Inc.	380	1.66%
Stealth Products	150	0.66%
City of Burnet	141	0.62%
Entegris	130	0.57%

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

	<u>2021</u> <sup>(2)</sup>	<u>2020</u> <sup>(3)</sup>	<u>2019</u> <sup>(3)</sup>	<u>2018</u> <sup>(3)</sup>
Civilian Labor Force	24,205	23,686	23,586	22,912
Total Employed	23,356	22,567	22,943	22,247
Total Unemployed	849	1,119	643	665
% Unemployment	3.5%	4.7%	2.7%	2.9%
%Unemployed (Texas)	5.3%	7.6%	3.5%	3.9%
%Unemployed (U.S.)	5.3%	8.1%	3.7%	3.9%

(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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\_\_\_\_\_, 2021

\$8,010,000  
MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION  
SALES TAX REVENUE BONDS,  
TAXABLE SERIES 2021

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by the Marble Falls Economic Development Corporation (the "Corporation") of \$8,010,000 aggregate original principal amount of its Sales Tax Revenue Bonds, Taxable Series 2021, dated October 1, 2021 (the "Bonds").

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas; the resolution of the Board of Directors of the Corporation authorizing the Bonds (the "Resolution"); a transcript of certified proceedings of the Board of Directors of the Corporation relating to the authorization, issuance, sale and delivery of the Bonds, and other pertinent instruments authorizing and relating to the issuance of the Bonds. We have examined the Initial Bond (as defined in the Resolution) which we found to be in due form and properly executed. As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials and officers of the Corporation and the City of Marble Falls, Texas (the "City") furnished to us without undertaking to verify the same by independent investigation.

BASED ON OUR EXAMINATION, we are of the opinion that:

1. The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently in effect; the Bonds constitute valid and legally binding special obligations of the Corporation enforceable in accordance with the terms and conditions thereof, except to the extent that the rights and remedies of the owners of the Bonds may be limited by laws heretofore or hereafter enacted relating to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the rights of creditors of political subdivisions and the exercise of judicial discretion in appropriate cases.
2. The Bonds are secured by and payable solely, both as to principal and interest, from the receipts of a sales and use tax levied by the City for the benefit of the Corporation, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. The Bonds are special obligations solely of the Corporation and are not obligations of the State of Texas, the City nor any political corporation, subdivision or agency of the State.

IT IS FURTHER OUR OPINION THAT THE BONDS ARE NOT OBLIGATIONS DESCRIBED IN SECTION 103(a) OF THE INTERNAL REVENUE CODE OF 1986, AS AMENDED, AND THEREFORE INTEREST ON THE BONDS IS NOT EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on or the acquisition, ownership, or disposition of the Bonds.

The opinions set forth above 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 these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter 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 and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions

Respectfully,

**APPENDIX D**  
**SELECTED PROVISIONS OF THE RESOLUTION**

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**MARBLE FALLS ECONOMIC DEVELOPMENT CORPORATION  
SALES TAX REVENUE BONDS  
TAXABLE SERIES 2021**

**SELECTED PROVISIONS OF THE RESOLUTION**

SECTION 2. Definitions. For all purposes of this Resolution and in particular for clarity with respect to the issuance of the Bonds herein authorized and the pledge and appropriation of revenues to the payment of the Bonds, the following definitions are provided:

“Act” - Development Corporation Act, Subtitle C1 of Title 12, Texas Local Government Code [formerly Article 5190.6, TEX. REV. CIV. STAT. ANN.], as amended at any time.

“Additional Parity Obligations” – Bonds, notes or other evidences of indebtedness which the Corporation reserves the right to issue or enter into, as the case may be, in the future in accordance with the terms and conditions provided in Section 37 hereof and which, together with the Previously Issued Parity Obligations and the Bonds, are equally and ratably secured by a parity pledge of and claim on the Pledged Revenues under the terms of this Resolution and a Supplemental Resolution.

“Average Annual Debt Service” - That amount which, at the time of computation, is derived by dividing the total amount of Debt Service to be paid over a period of years as the same is scheduled to become due and payable by the number of years taken into account in determining the total Debt Service. Capitalized interest payments provided from proceeds or borrowings of the Corporation shall be excluded in making the aforementioned computation.

“Board” - The Board of Directors of the Corporation.

“Bond” or “Bonds” - “Marble Falls Economic Development Corporation Sales Tax Revenue Bonds, Taxable Series 2021”, dated October, 2021, authorized by this Resolution.

“Business Day” – Any day which is not a Saturday, Sunday, or a day on which the Paying Agent/Registrar is authorized by law or executive order to close, or a legal holiday.

“City” - The City of Marble Falls, Texas.

“Closing Date” – The date of initial delivery of and payment for the Bonds.

“Corporation” - Marble Falls Economic Development Corporation, a non-profit industrial development corporation organized and existing under and pursuant to the laws of the State of Texas, including Chapter 505, Texas Local Government Code [formerly Section 4B of Article 5190.6, TEX. REV. CIV. STAT. ANN.] and on behalf of the City of Marble Falls, Texas.

“Debt Service” - As of any particular date of computation, with respect to any obligations and with respect to any period, the aggregate of the amounts to be paid or set aside by the Corporation as of such date or in such period for the payment of the principal of, premium, if any, and interest (to the extent not capitalized) on such obligations; assuming, in the case of obligations without a fixed numerical rate, that such obligations bear, or would have borne, interest at the maximum legal per annum rate applicable to such obligations, and further assuming in the case of obligations required to be redeemed or prepaid as to principal prior to maturity, the principal amounts thereof will be redeemed prior to maturity in accordance with the mandatory redemption provisions applicable thereto.

“Defeasance Securities” - (i) direct noncallable obligations of the United States, including obligations that are unconditionally guaranteed by the United States of America; (ii) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent; or (iii) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the governing body of the issuer adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent.

“Depository” - A commercial bank or other qualified financial institution eligible and qualified to serve as the custodian of the Corporation's monetary accounts and funds.

“Designated Payment/Transfer Office” – The office of the Paying Agent/Registrar which is designated for the presentment of the Bonds.

“DTC” – The Depository Trust Company, New York, New York, or any successor securities depository.

“DTC Participant” – Any broker, dealer, bank, trust company, clearing corporation or certain other organizations with bonds credited to an account maintained on its behalf by DTC.



“Event of Default” – Any event of default as defined in Section 52 of this Resolution.

“Fiscal Year” - The twelve month financial accounting period used by the Corporation ending September 30 in each year, or such other twelve consecutive month period established by the Corporation.

“Gross Sales Tax Revenues” - All of the revenues or receipts due or owing to, or collected or received by or on behalf of the Corporation by the City or otherwise from the Sales Tax, less any amounts due and owed to the Comptroller of Public Accounts of the State of Texas as charges for the collection of the Sales Tax or retention by said Comptroller for refunds and to redeem dishonored checks and drafts, to the extent such charges and retention are authorized or required by law.

“Interest Payment Date” – The date or dates upon which interest on each Bond is scheduled to be paid until their respective dates of maturity or prior redemption, such dates being February 1 and August 1 of each year, commencing February 1, 2022.

“Outstanding” - When used in this Resolution with respect to the Bonds or Parity Obligations, as the case may be, means, as of the date of determination, all Bonds and Parity Obligations theretofore sold, issued and delivered by the Corporation, except:

(1) those Bonds or Parity Obligations canceled or delivered to the transfer agent or registrar for cancellation in connection with the exchange or transfer of such obligations;

(2) those Bonds or Parity Obligations paid or deemed to be paid in accordance with the provisions of Section 43 hereof or similar provisions of any Supplemental Resolution authorizing the issuance of Additional Parity Obligations; and

(3) those Bonds or Parity Obligations that have been mutilated, destroyed, lost, or stolen and replacement obligations have been registered and delivered in lieu thereof.

“Owner” or “Registered Owner” – The person who is the registered owner of a Bond or Bonds, as shown in the Register.

“Parity Obligations” - Collectively, the Bonds, the Previously Issued Parity Obligations and Additional Parity Obligations.

“Paying Agent” or “Paying Agent/Registrar” – Initially UMB Bank, N.A., Austin, Texas, or any successor thereto as provided in this Resolution.

“Pledged Revenues” - Collectively (i) Gross Sales Tax Revenues from time to time deposited or owing to the Pledged Revenue Fund and (ii) such other money, income, revenue, receipts or other property as may be specifically dedicated, pledged or otherwise encumbered in a Supplemental Resolution for the payment and security of Parity Obligations.

“Previously Issued Parity Obligations” - The Corporation’s Sales Tax Revenue Bonds, Taxable Series 2017 and Sales Tax Revenue Refunding Bond, Taxable Series 2020.

“Projects” – The providing of funds for the (1) completion of Innovation Loop/expansion of Business Technology Park, including streets and utilities; (2) expansion of the Lakeside Pavilion, including improvements of surrounding park area and street and sidewalk and trail improvements to connect the Pavilion to the Historic Main Street area; and (3) projects related to the approved Downtown Master Plan.

“Record Date” – The close of business on the fifteenth calendar day of the month preceding the month in which an Interest Payment Date occurs.

“Register” – The register specified in Section 8 of this Resolution.

“Registrar” – Registrar shall mean the Paying Agent/Registrar.

“Required Reserve” - The amount, if any, required to be accumulated and maintained in the Reserve Fund under the provisions of Section 32 hereof.

“Sales Tax” - The local sales and use tax authorized under Chapter 505, Texas Local Government Code [formerly Section 4B of Article 5190.6, TEX. REV. CIV. STAT. ANN.], approved at an election held on May 12, 2007, at a rate of one-half of one percent (1/2%), and levied by the City on behalf of the Corporation.

“Supplemental Resolution” - Any resolution of the Board supplementing this Resolution for the purpose of authorizing and providing the terms and provisions of the Bonds, Previously Issued Parity Obligations or Additional Parity Obligations, or supplementing or amending this Resolution for any other authorized purpose permitted in Section 37 or 44 hereof, including resolutions authorizing the issuance of Additional Parity Obligations or pledging and encumbering income, revenues, receipts or property other than the Gross Sales Tax Revenues to the payment and security of the Parity Obligations.

“Surety Policy” means a surety bond, insurance policy, letter of credit or other agreement or instrument, including any related reimbursement or financial guaranty agreement, by which the Corporation is obligated to provide funds up to and including the maximum amount and under the conditions specified in such agreement or instrument provided that the Corporation and Surety Policy shall be rated, at the time of issuance of such Surety Policy, in the highest rating category by S&P Global Ratings, a division of S&P Global Inc. or Moody’s Investors Service, Inc.

“Underwriter” – FHN Financial Capital Markets.

SECTION 17. Pledge. The Corporation hereby covenants and agrees that the Pledged Revenues are hereby irrevocably pledged to the payment and security of the Bonds, Previously Issued Parity Obligations and Additional Parity Obligations, if issued, including the establishment and maintenance of the special funds created and established in this Resolution and any Supplemental Resolution, all as hereinafter provided. The Corporation hereby resolves the Parity Obligations shall constitute a lien on the Pledged Revenues in accordance with the terms of this Resolution and any Supplemental Resolution, which lien shall be valid and binding without any further action by the Corporation and without any filing or recording with respect thereto except in the records of the Corporation.

SECTION 18. Effect of Pledge. Chapter 1208, Texas Government Code, applies to the issuance of the Bonds and the pledge of the Pledged Revenues thereof granted by the Corporation under Section 17 of this Resolution, and such pledge is therefore valid, effective, and perfected. If Texas law is amended at any time while the Bonds are outstanding and unpaid such that the pledge of the Pledged Revenues granted by the Corporation under Section 17 of this Resolution is to be subject to the filing requirements of Chapter 9, Business & Commerce Code, then in order to preserve to the Registered Owners of the Bonds the perfection of the security interest in said pledge, the Corporation agrees to take such measures as it determines are reasonable and necessary under Texas law to comply with the applicable provisions of Chapter 9, Business & Commerce Code, and enable a filing to perfect the security interest in said pledge to occur.

Section 29. Special Funds.

A. Funds Confirmed. The following special funds have been or are hereby created and are confirmed, established, maintained, and accounted for as hereinafter provided so long as any of the Parity Obligations remain Outstanding:

- (i) Pledged Revenue Fund ( the “ Pledged Revenue Fund”);
- (ii) Bond Fund (the “Bond Fund”); and
- (iii) Reserve Fund (the “Reserve Fund”).

The Funds shall constitute special funds which shall be held for the benefit of the Owners, and the income from the investment of which shall be and is hereby pledged to the payment of the Parity Obligations. All of the Funds shall be used solely as herein provided so long as any Parity Obligations remain Outstanding.

SECTION 30. Pledged Revenue Fund. The Corporation hereby agrees and covenants to establish and maintain a fund or account at a Depository for the deposit of the Pledged Revenues as received by the Corporation, which fund or account shall be known on the books and records of the Corporation as the "Pledged Revenue Fund". All Pledged Revenues deposited to the credit of such Fund shall be accounted for separate and apart from all other revenues, receipts and income of the Corporation and, with respect to the Gross Sales Tax Revenues, the Corporation shall further account for such funds separate and apart from the other Pledged Revenues deposited to the credit of the Pledged Revenue Fund. All Pledged Revenues deposited to the credit of the Pledged Revenue Fund shall be appropriated and expended to the extent required by this Resolution and any Supplemental Resolution for the following uses and in the order of priority shown:

First: To the payment of the amounts required to be deposited in the Bond Fund for the payment of Debt Service on the Parity Obligations as the same becomes due and payable;

Second: To the payment of the amounts required to be deposited in the Reserve Fund to establish and maintain the Required Reserve in accordance with the provisions of this Resolution and any Supplemental Resolution;

Third: To the payment of amounts required to be deposited in any other fund or account required by any Supplemental Resolution authorizing the issuance of Parity Obligations; and

Fourth: To any fund or account held at any place or places, or to any payee, required by any other resolution of the Board which authorized the issuance of obligations or the creation of debt of the Corporation having a lien on the Pledged Revenues subordinate to the lien created herein on behalf of the Parity Obligations.

Any Pledged Revenues remaining in the Pledged Revenue Fund after satisfying the foregoing payments, or making adequate and sufficient provision for the payment thereof, may be appropriated and used for any other lawful purpose now or hereafter permitted by law.

SECTION 31. Bond Fund. For the purpose of providing funds to pay the principal of and interest on Parity Obligations, the Corporation agrees and covenants to maintain a separate and special account or fund on the books and records of the Corporation known as "Marble Falls Economic Development Corporation Debt Service Account" (the

“Bond Fund”), and all monies deposited to the credit of such Fund shall be held in a special banking fund or account maintained at a Depository of the Corporation. The Corporation covenants that there shall be deposited into the Bond Fund prior to each principal and interest payment date from the Pledged Revenues an amount equal to one hundred percent (100%) of the interest on and the principal of the Bonds then falling due and payable, and such deposits to pay principal and accrued interest on the Bonds shall be made in substantially equal monthly installments on or before the 20th day of each month, beginning on or before the 20th day of the month next following the delivery of the Bonds to the initial purchaser(s).

The required deposits to the Bond Fund for the payment of principal of and interest on the Bonds shall continue to be made as hereinabove provided until (i) the total amount on deposit in the Bond Fund and Reserve Fund is equal to the amount required to fully pay and discharge all Parity Obligations (principal and interest) then Outstanding or (ii) the Bonds are no longer Outstanding.

#### SECTION 32. Reserve Fund.

(a) The Corporation shall establish a “Reserve Fund” for the Bonds on or before the Closing Date of the Bonds. Concurrently with the delivery of the Bonds to the initial purchaser(s) thereof, the Corporation shall transfer to the Reserve Fund an amount equal to an amount equal to the average annual principal and interest requirements of the Bonds (the “Required Reserve”). The average annual debt service requirements of the Bonds shall be calculated by the Corporation on the date of issuance of the Bonds and on each October 1 thereafter, and the Required Reserve to be maintained in the Reserve Fund after each such calculation shall be the amount determined by such calculation. When and for so long as the cash, investments and reserve fund surety policy in the Reserve Fund equal the Required Reserve, no deposits need be made to the credit of the Reserve Fund.

(b) If the Reserve Fund at any time contains less than the Required Reserve, the Corporation covenants and agrees that the Corporation shall cure the deficiency in the Reserve Fund by making deposits to such Fund from the Pledged Revenues, in the order of priority described above, by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully restored; provided, however, that no such deposits shall be made into the Reserve Fund during any six-month period beginning on August 1 and February 1 until there has been deposited into the Bond Fund the full amount required to be deposited therein by the next following August 1 and February 1, as the case may be. If the Reserve Fund at any time contains less than the Required Reserve, the Corporation covenants and agrees that the Corporation shall cure the deficiency in the Reserve Fund by making deposits to such Fund from the Pledged Revenues, in the order of priority described above, by monthly deposits and credits in amounts equal to not less than 1/60th of the Required Reserve with any such deficiency payments being made on or before the last day of each month until the Required Reserve has been fully restored; provided, however, that no such

deposits shall be made into the Reserve Fund during any six-month period beginning on August 1 and February 1 until there has been deposited into the Bond Fund the full amount required to be deposited therein by the next following August 1 and February 1, as the case may be. In addition, in the event that a portion of the Required Reserve is represented by a reserve fund surety policy (see "Surety Policy" in subparagraph (d) below), the Required Reserve and deposits to the Reserve Fund shall take into account such value of the reserve fund surety policy. The Corporation has further covenanted and agreed that, subject only to the prior deposits and credits to be made to the Bond Fund, the Pledged Revenues shall be applied, appropriated and used to establish and maintain the Required Reserve, including by paying payments under a reserve fund surety policy when due, and any reserve established for the benefit of any issue or series of Additional Parity Obligations and to cure any deficiency in such amounts as required by the terms of this Resolution and any other resolution pertaining to the issuance of Additional Parity Obligations.

(c) Notwithstanding anything to the contrary contained in the Resolution, as herein described, the requirements described above to fund the Reserve Fund in the amount of the Required Reserve shall be suspended for such time as the Pledged Revenues for each fiscal year are equal to at least 110% of the average annual debt service requirements. In the event that the Pledged Revenues for any two consecutive Fiscal Years are less than 110% (unless such percentage is below 100% of the average annual debt service requirements in any fiscal year, in which case the herein specified requirements to restore the Required Reserve will commence after such fiscal year) of the average annual debt service requirements, the Corporation will be required to commence making the deposits to fund the Reserve Fund as provided above, and to continue making such deposits until the earlier of (i) such time as the Reserve Fund contains the Required Reserve or (ii) the Pledged Revenues for a fiscal year have been equal to not less than 110% of the average annual debt service requirements.

(d) *Surety Policy.* Notwithstanding the above (and with the consent of the Holders), the Corporation reserves the right to provide for the Required Reserve by use of a surety bond in lieu of cash, or a combination of cash and surety bond, as the Corporation deems reasonable and appropriate; provided, however, that the amount of any such cash and/or the coverage by any surety bond when added together shall at least equal the Required Reserve. Any such surety bond provided in lieu of cash shall be issued by an insurance company or association of companies whose insured obligations are rated at the time of issuance by a nationally recognized rating agency in its highest rating categories. On the first day following the use of proceeds or amounts available for withdrawal on deposit in the Reserve Fund and continuing each month thereafter for a total of not less than 60 payments, the Corporation shall repay all amounts drawn on the surety bond and then replenish any cash required in the Reserve Fund to restore the Required Reserve. In the event a reserve fund surety policy causes the amount then on deposit in the Reserve Fund to exceed the Required Reserve, such excess amount may be transferred to any fund or account established for the payment or security of the Bonds or used for any lawful purpose; provided, however, to the extent that such excess amount represents bond proceeds, then such amount must be transferred to the Bond Fund.

SECTION 33. Deficiencies. If on any occasion there shall not be sufficient Pledged Revenues to make the required deposits into the Bond Fund or Reserve Fund, such deficiency shall be cured as soon as possible from the next available Pledged Revenues, or from any other sources available for such purpose.

SECTION 34. Payment of Bonds. While the Bonds are Outstanding, the Treasurer of the Corporation (or other designated financial officer of the Corporation) shall cause to be transferred to the Paying Agent/Registrar, from funds on deposit in the Bond Fund, and, if necessary, in the Reserve Fund, amounts sufficient to fully pay and discharge promptly as each installment of interest and principal of the Bonds accrues or matures; such transfer of funds to be made in such manner as will cause immediately available funds to be deposited with the Paying Agent/Registrar for the Bonds at the close of the Business Day next preceding the date of payment for the Bonds.

SECTION 35. Project Fund. The amount of \$8,010,000.00 from the proceeds of the sale of the Bonds shall be deposited in a separate account entitled the "Project Fund" at the time of the delivery of the Bonds. The funds deposited in the Project Fund shall be held and will be disbursed for the purpose of providing funds for the (1) completion of Innovation Loop/expansion of Business Technology Park, including streets and utilities; (2) expansion of the Lakeside Pavilion, including improvements of surrounding park area and street and sidewalk and trail improvements to connect the Pavilion to the Historic Main Street area; and (3) projects related to the approved Downtown Master Plan for the purpose of promoting new or expanded business development in the City.

SECTION 36. Investments - Security of Funds.

(a) Money in any Fund required to be maintained pursuant to this Resolution may, at the option of the Corporation, be invested in obligations and in the manner prescribed by the Public Funds Investment Act, Chapter 2256, Texas Government Code, including investments held in book-entry form; provided that all such deposits and investments shall be made in such a manner that the money required to be expended from any Fund will be available at the proper time or times and provided further the maximum stated maturity for any investment acquired with money deposited to the credit of the Reserve Fund shall be limited to five (5) years from the date of the investment of such money. Such investments shall be valued in terms of current market value within 45 days of the close of each Fiscal Year and, with respect to investments held for the account of the Reserve Fund, within 45 days of the date of passage of each authorizing document of the Board pertaining to the issuance of Additional Parity Obligations. All interest and income derived from deposits and investments in the Bond Fund immediately shall be credited to, and any losses debited to, the appropriate account of the Bond Fund. All interest and interest income derived from deposits in and investments of the Reserve Fund shall, subject to the limitations provided in Section 32 hereof, be credited to and deposited in the Pledged Revenue Fund. All such investments shall be sold promptly when necessary to prevent any default in connection with the Parity Obligations.

(b) That money deposited to the credit of the Pledged Revenue Fund, Bond Fund and Reserve Fund, to the extent not invested and not otherwise insured by the Federal Deposit Insurance Corporation or similar agency, shall be secured by a pledge of direct obligations of the United States of America, or obligations unconditionally guaranteed by the United States of America.

SECTION 37. Issuance of Additional Parity Obligations. Subject to the provisions hereinafter appearing as to conditions precedent which must be satisfied, the Corporation reserves the right to issue, from time to time as needed, Additional Parity Obligations for any lawful purpose. Such Additional Parity Obligations may be issued in such form and manner as the Corporation shall determine, provided, however, prior to issuing or incurring such Additional Parity Obligations, the following conditions precedent for the authorization and issuance of the same are satisfied, to wit:

(1) The Treasurer of the Corporation (or other officer of the Corporation then having the primary responsibility for the financial affairs of the Corporation) shall have executed a certificate stating that, to the best of his or her knowledge and belief, the Corporation is not then in default as to any covenant, obligation or agreement contained in the Resolution or a Supplemental Resolution.

(2) The Corporation has secured from a certified public accountant a certificate or opinion to the effect that, according to the books and records of the Corporation, the Gross Sales Tax Revenues received by the Corporation for either (i) the last completed Fiscal Year next preceding the adoption of the Supplemental Resolution authorizing the issuance of the proposed Additional Parity Obligations or (ii) any twelve (12) consecutive months out of the previous eighteen (18) months next preceding the adoption of the Supplemental Resolution authorizing the Additional Parity Obligations were equal to not less than 1.50 times the maximum annual Debt Service for all Parity Obligations then Outstanding after giving effect to the issuance of the Additional Parity Obligations then being issued.

(3) The Required Reserve to be accumulated and maintained in the Reserve Fund is increased to the extent required by Section 32.

SECTION 38. Refunding Bonds. The Corporation reserves the right to issue refunding bonds to refund all or any part of the Parity Obligations (pursuant to any law then available) upon such terms and conditions as the Board may deem to be in the best interest of the Corporation, and if less than all such Parity Obligations then Outstanding are refunded, the conditions precedent prescribed (for the issuance of Additional Parity Obligations) set forth in Section 37 hereof shall be satisfied, and shall give effect to the refunding.

SECTION 39. Right to Create Subordinate Debt. Except as may be limited by a Supplemental Resolution, the Corporation shall have the right to issue or create any debt payable from or secured by a lien on all or any part of the Pledged Revenues for any lawful purpose without complying with the provisions of Section 37 or 38 hereof, provided



the pledge and the lien securing such debt is subordinate to the pledge and lien established, made and created in Section 17 of this Resolution with respect to the Pledged Revenues to the payment and security of the Parity Obligations.

SECTION 40. Confirmation and Levy of Sales Tax.

(a) The Board hereby represents the City has duly complied with the provisions of the Act for the levy of the Sales Tax at the rate voted at the election held by and within the City on May 12, 2007, and such Sales Tax is being imposed within the corporate limits of the City and the receipts of such Sales Tax are being remitted to the City by the Comptroller of Public Accounts on a monthly basis.

(b) While any Bond is Outstanding, the Corporation covenants, agrees and warrants to take and pursue all action permissible to cause the Sales Tax, at said rate or at a higher rate if legally permitted, to be levied and collected continuously, in the manner and to the maximum extent permitted by law, and to cause no reduction, abatement or exemption in the Sales Tax or rate of tax below the rate stated, confirmed and ordered in subsection (a) of this Section to be ordered or permitted while any Bond shall remain Outstanding.

(c) If hereafter authorized by law to apply, impose and levy the Sales Tax on any taxable items or transactions that are not subject to the Sales Tax on the date of the adoption hereof, to the extent it legally may do so, the Corporation agrees to use its best efforts to cause the City to take such action as may be required to subject such taxable items or transactions to the Sales Tax.

(d) The Corporation agrees to take and pursue all action legally permissible to cause the Sales Tax to be collected and remitted and deposited as herein required and as required by Chapter 505, Texas Local Government Code, at the earliest and most frequent times permitted by law.

(e) The Corporation agrees to use its best efforts to cause the City to comply with Chapter 505, Texas Local Government Code, and shall cause the Gross Sales Tax Revenues to be deposited to the credit of the Pledged Revenue Fund in their entirety immediately upon receipt by the City. In the alternative and if legally authorized, the Corporation shall, by appropriate notice, direction, request or other legal method, use its good-faith efforts to cause the Comptroller of Public Accounts of the State of Texas (the "Comptroller") to pay all Gross Sales Tax Revenues directly to the Corporation for deposit to the Pledged Revenue Fund.

SECTION 41. Records and Accounts. The Corporation hereby covenants and agrees that while any of the Bonds are Outstanding, it will keep and maintain complete records and accounts in accordance with generally accepted accounting principles, and following the close of each Fiscal Year, it will cause an audit of such books and accounts to be made by an independent firm of certified public accountants. Each such audit, in

addition to whatever other matters may be thought proper by the accountant shall particularly include the following:

- (1) A statement in reasonable detail regarding the receipt and disbursement of the Pledged Revenues for such Fiscal Year, and
- (2) A balance sheet for the Corporation as of the end of such Fiscal Year.

Such annual audit of the records and accounts of the Corporation shall be in the form of a report and be accompanied by an opinion of the accountant to the effect that such examination was made in accordance with generally accepted auditing standards and contain a statement to the effect that in the course of making the examination necessary for the report and opinion, the accountant obtained no knowledge of any default of the Corporation on the Bonds or in the fulfillment of any of the terms, covenants or provisions of this Resolution, or under any other evidence of indebtedness, or of any event which, with notice or lapse of time, or both, would constitute a failure of the Corporation to comply with the provisions of this Resolution or if, in the opinion of the accountants, any such failure to comply with a covenant or agreement hereof, a statement as to the nature and status thereof shall be included.

Copies of each annual audit report shall be furnished upon written request, to any Holders of any of the Bonds. The audits herein required shall be made within 120 days following the close of each Fiscal Year insofar as is possible.

The Holders of any Bonds or any duly authorized agent or agents of such Holders shall have the right to inspect such records, accounts and data of the Corporation during regular business hours.

#### SECTION 42. Representations as to Security for the Bonds.

(a) The Corporation represents and warrants that, except for the Parity Obligations, the Pledged Revenues are and will be and remain free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge and lien created in or authorized by this Resolution except as expressly provided herein.

(b) The Bonds and the provisions of this Resolution are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Resolution, subject only to any applicable bankruptcy or insolvency laws or to any laws affecting creditors' rights generally.

(c) The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Revenues and all the rights of the Holders against all claims and demands of all persons whomsoever, and shall take such actions necessary to protect the priority of the pledge of the Pledged Revenues.

(d) The Corporation will take, and use its best efforts to cause the City to take, all steps reasonably necessary and appropriate to collect all delinquencies in the collection of the Sales Tax to the fullest extent permitted by the Act.

(e) The provisions, covenants, pledge and lien on and against the Pledged Revenues, as herein set forth, are established and shall be for the equal benefit, protection and security of the Owners and Holders of Parity Obligations without distinction as to priority and rights under this Resolution.

(f) The Parity Obligations shall constitute special obligations of the Corporation, payable solely from, and equally and ratably secured by a parity pledge of and lien on, the Pledged Revenues, and not from any other revenues, properties or income of the Corporation. The Bonds may not be paid in whole or in part from any property taxes raised or to be raised by the City and shall not constitute debts or obligations of the State or of the City, and the Holders, shall never have the right to demand payment out of any funds raised or to be raised by any system of ad valorem taxation.

SECTION 43. Satisfaction of Obligation of Corporation. If the Corporation shall pay or cause to be paid, or there shall otherwise be paid to the Holders, the principal of, premium, if any, and interest on the Bonds, at the times and in the manner stipulated in this Resolution, then the pledge of the Pledged Revenues under this Resolution and all other obligations of the Corporation to the Holders shall thereupon cease, terminate, and be discharged and satisfied.

Bonds or any principal amount(s) shall be deemed to have been paid within the meaning and with the effect expressed above in this Section when (i) money sufficient to pay in full such Bonds at maturity or to the redemption date therefor, together with all interest due thereon, shall have been irrevocably deposited with and held in trust by the Paying Agent/Registrar, or an authorized escrow agent, or (ii) Defeasance Securities shall have been irrevocably deposited in trust with the Paying Agent/Registrar, or an authorized escrow agent, which Defeasance Securities have been certified by an independent accounting firm to mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money, together with any moneys deposited therewith, if any, to pay when due the Bonds on the Stated Maturities thereof or (if notice of redemption has been duly given or waived or if irrevocable arrangements therefor accepted to the Paying Agent/Registrar have been made) the redemption date thereof. The Corporation covenants that no deposit of moneys or Defeasance Securities will be made under this Section and no use made of any such deposit which would cause the Bonds to be treated as "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or regulations adopted pursuant thereto.

Any moneys so deposited with the Paying Agent/Registrar or an authorized escrow agent and all income Defeasance Securities held in trust by the Paying Agent/Registrar,

or an authorized escrow agent, pursuant to this Section in excess of the amount required for the payment of the Bonds shall be remitted to the Corporation or deposited as directed by the Corporation. Furthermore, any money held by the Paying Agent/Registrar for the payment of the principal of and interest on the Bonds and remaining unclaimed for a period of four (4) years after the Stated Maturity, or applicable redemption date, of the Bonds such moneys were deposited and are held in trust to pay shall, upon the request of the Corporation, be remitted to the Corporation against a written receipt therefor. Notwithstanding the above and foregoing, any remittance of funds from the Paying Agent/Registrar to the Corporation shall be subject to any applicable unclaimed property laws of the State of Texas.

#### Section 51. Defeasance of Bonds.

(a) *Defeased Bonds.* Any Bond and the interest thereon shall be deemed to be paid, retired and no longer Outstanding (a "Defeased Bond"), except to the extent provided in subsection (d) of this Section, when payment of the principal of such Bond, plus interest thereon to the due date (whether such due date be by reason of maturity or otherwise) either (i) shall have been made or caused to be made in accordance with the terms thereof, or (ii) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar in accordance with an escrow agreement or other similar instrument (the "Future Escrow Agreement") for such payment (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the Corporation with the Paying Agent/Registrar for the payment of its services until all Defeased Bonds shall have become due and payable. At such time as a Bond shall be deemed to be a Defeased Bond hereunder, as aforesaid, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the Pledged Revenues, and such principal and interest shall be payable solely from such money or Defeasance Securities.

(b) *Investment in Defeasance Securities.* Any moneys so deposited with the Paying Agent/Registrar may at the written direction of the Corporation be invested in Defeasance Securities, maturing in the amounts and times as hereinbefore set forth, and all income from such Defeasance Securities received by the Paying Agent/Registrar that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the Corporation, or deposited as directed in writing by the Corporation. Any Future Escrow Agreement pursuant to which the money and/or Defeasance Securities are held for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of the requirements specified in subsections (a)(i) or (ii) of this Section. All income from such Defeasance Securities received by the Paying Agent/Registrar which is not required for the payment of the Defeased Bonds, with respect to which such money has been so deposited, shall be remitted to the Corporation or deposited as directed in writing by the Corporation.

(c) *Paying Agent/Registrar Services.* Until all Defeased Bonds shall have become due and payable, the Paying Agent/Registrar shall perform the services of Paying Agent/Registrar for such Defeased Bonds the same as if they had not been defeased, and the Corporation shall make proper arrangements to provide and pay for such services as required by this Resolution.

(d) *Selection of Bonds for Defeasance.* In the event that the Corporation elects to defease less than all of the principal amount of Bonds of a maturity, the Paying Agent/Registrar shall select, or cause to be selected, such amount of Bonds by such random method as it deems fair and appropriate.

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**APPENDIX E**  
**EXCERPTS FROM THE CITY OF MARBLE FALLS, TEXAS**  
**AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED**  
**SEPTEMBER 30, 2020**

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## INDEPENDENT AUDITOR'S REPORT

Mayor and Members of City Council  
City of Marble Falls, Texas  
Marble Falls, Texas

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

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

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

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

### OFFICE LOCATIONS

TEXAS | Waco | Temple | Hillsboro | Houston  
NEW MEXICO | Albuquerque

## **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 Marble Falls, Texas, as of September 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Marble Falls, Texas' 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 and schedules are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2021, on our consideration of the City of Marble Falls, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Marble Falls, Texas' internal control over financial reporting and compliance.

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

Waco, Texas  
March 1, 2021

**MANAGEMENT'S  
DISCUSSION AND ANALYSIS**

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

As Management of the City of Marble Falls, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020. This information is not intended to be a complete statement of the City's financial condition. We recommend and encourage readers to consider the information presented here in conjunction with the accompanying transmittal letter and basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the City of Marble Falls exceeded its liabilities and deferred inflows of resources as of September 30, 2020, by \$24,141,571 (net position). Of this amount, (\$3,342,991) is unrestricted net position.
- The City's net position increased by \$2,020,421.
- As of the close of the current fiscal year, the City of Marble Falls governmental funds reported combined ending fund balances of \$12,473,066. \$2,044,367 of this amount is unassigned and available for use within the City's fund designation and policy.
- As of September 30, 2020, unassigned fund balance for the General Fund was \$2,063,369 or 15.20% of total General Fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. This statement combines and consolidates governmental funds current financial resources (short-term spendable resources) with capital assets and long-term obligations. Other non-financial factors should also be taken into consideration, such as changes in the City's property tax base and the condition of the City's infrastructure (i.e. roads, drainage improvements, storm sewer and water lines, etc.), to assess the overall financial condition of the City.

The Statement of Activities presents information showing how the City's net position changed during the fiscal year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but not used compensated absences). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting as opposed to the modified accrual basis used in prior reporting models.

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

- Governmental activities include most of the City's basic services (general government, public safety, public works and culture and recreation). Property taxes, sales taxes, and franchise fees primarily finance these activities.
- Business-type activities include the City's water and sewer system. Charges for services cover all or most of the cost for these services.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used by state and local governments to control and manage money for particular purposes and to ensure finance-related legal requirements. The City uses two fund types – governmental and proprietary.

- **Governmental funds** – Similar to the governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds focus on *near-term inflows and outflows of spendable resources* as well as on *balances of spendable resources* available at the end of the fiscal year. The governmental fund statement provides a detailed short-term view of the City’s general government operations and helps you determine whether resources are available in the near future to finance City programs. Comparing the information presented for governmental funds with the information presented for governmental activities in the government-wide financial statements will help the reader to better understand the long-term impact of the government’s near-term financing decisions. The governmental funds balance sheet, statement of revenue and expenditures, and changes in fund balances include a reconciliation to provide such comparison.

The City maintains 12 governmental funds. Information is presented separately in the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Economic Development Corporation Fund, Debt Service Fund, and Hotel Conference Center Fund, all of which are considered to be major funds. The other funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements found in this report.

- **Proprietary funds** – The City maintains one proprietary fund. The City uses the Enterprise Fund for water and sewer operations. The Enterprise Fund reports the same functions presented as business-type activities in the government-wide financial statement.

## **Reporting the City’s Fiduciary Responsibility**

The City is the trustee, or fiduciary, for the LaVentana Public Improvement District Trust Fund, Gregg Ranch Public Improvement District Trust Fund, Thunder Rock PID Trust Fund and the Roper Ranch Public Improvement District Trust Fund. All of the City’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. The activities of this fund are excluded from the City’s government-wide financial statements because the City cannot use these assets to finance its operations. The City is responsible for ensuring that the assets reported in this fund are used for their intended purpose. The basic fiduciary fund financial statements can be found on pages 23 – 24 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

## **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents combining and individual fund statements and schedules that further support the information in the financial statements. These statements are presented immediately following the notes to the financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The City's net position exceed liabilities by \$24.1 million as of September 30, 2020. The largest portion of the City's net position reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; therefore, these assets are not available for future spending. It should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

### CITY OF MARBLE FALLS' NET POSITION

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 15,521,903	\$ 16,464,332	\$ 411,710	\$ ( 2,233,979)	\$ 15,933,613	\$ 14,230,353
Capital assets	<u>36,762,541</u>	<u>37,379,976</u>	<u>39,244,012</u>	<u>40,443,090</u>	<u>76,006,553</u>	<u>77,823,066</u>
Total assets	<u>52,284,444</u>	<u>53,844,308</u>	<u>39,655,722</u>	<u>38,209,111</u>	<u>91,940,166</u>	<u>92,053,419</u>
Deferred outflows of resources	<u>1,125,593</u>	<u>1,995,865</u>	<u>589,397</u>	<u>781,921</u>	<u>1,714,990</u>	<u>2,777,786</u>
Current liabilities	5,585,202	5,719,795	2,645,150	2,432,553	8,230,352	8,152,348
Noncurrent liabilities	<u>35,930,939</u>	<u>40,571,533</u>	<u>24,224,317</u>	<u>23,886,034</u>	<u>60,155,256</u>	<u>64,457,567</u>
Total liabilities	<u>41,516,141</u>	<u>46,291,328</u>	<u>26,869,467</u>	<u>26,318,587</u>	<u>68,385,608</u>	<u>72,609,915</u>
Deferred inflows of resources	<u>983,125</u>	<u>86,836</u>	<u>144,852</u>	<u>13,304</u>	<u>1,127,977</u>	<u>100,140</u>
Net position:						
Net investment,						
in capital assets	7,402,554	4,276,768	16,865,358	16,530,931	24,267,912	20,807,699
Restricted	3,216,650	3,308,230	-	-	3,216,650	3,308,230
Unrestricted	<u>291,567</u>	<u>1,877,011</u>	<u>( 3,634,558)</u>	<u>( 3,871,790)</u>	<u>( 3,342,991)</u>	<u>( 1,994,779)</u>
Total net position	<u>\$ 10,910,771</u>	<u>\$ 9,462,009</u>	<u>\$ 13,230,800</u>	<u>\$ 12,659,141</u>	<u>\$ 24,141,571</u>	<u>\$ 22,121,150</u>

The restricted portion of the City's net position (13.3%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is (\$3,342,991).

### Analysis of the City's Operations

The following table provides a summary of the City's operations for the year ended September 30, 2020. Governmental activities increased the City of Marble Falls' net position by \$1,448,762, accounting for a 15.3% increase in net position. Business-type activities increased the City's net position by \$571,659 accounting for a 4.5% increase in net position. The increase in the business-type activities was due to the increase of charges for services and a decrease in expenses.

**CITY OF MARBLE FALLS' CHANGES IN NET POSITION**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
<b>Revenues:</b>						
Program revenues:						
Charges for services	\$ 1,316,685	\$ 975,912	\$ 6,044,484	\$ 5,158,479	\$ 7,361,169	\$ 6,134,391
Operating grants and contributions	958,026	250,167	-	-	958,026	250,167
Capital grants and contributions	-	-	-	115,000	-	115,000
General revenues:						
Property taxes	5,988,377	5,669,378	-	-	5,988,377	5,669,378
Sales taxes	9,952,643	9,515,880	-	-	9,952,643	9,515,880
Franchise taxes	554,140	591,561	-	-	554,140	591,561
Other taxes	616,648	822,438	-	-	616,648	822,438
Investment earnings	121,181	275,258	6,207	26,438	127,388	301,696
Gain on sale of assets	307,813	-	-	-	307,813	-
Miscellaneous	<u>151,818</u>	<u>926,591</u>	<u>-</u>	<u>-</u>	<u>151,818</u>	<u>926,591</u>
Total revenues	<u>19,967,331</u>	<u>19,027,185</u>	<u>6,050,691</u>	<u>5,299,917</u>	<u>26,018,022</u>	<u>24,327,102</u>
<b>Expenses:</b>						
General government	5,776,274	4,516,426	-	-	5,776,274	4,516,426
Public safety	8,087,970	7,825,499	-	-	8,087,970	7,825,499
Public works	1,524,668	3,868,741	-	-	1,524,668	3,868,741
Culture and recreation	1,781,135	2,366,820	-	-	1,781,135	2,366,820
Interest on long-term debt	1,204,850	1,418,977	-	-	1,204,850	1,418,977
Water and wastewater	<u>-</u>	<u>-</u>	<u>5,622,704</u>	<u>6,194,230</u>	<u>5,622,704</u>	<u>6,194,230</u>
Total expenses	<u>18,374,897</u>	<u>19,996,463</u>	<u>5,622,704</u>	<u>6,194,230</u>	<u>23,997,601</u>	<u>26,190,693</u>
Increases (decreases) in net position before transfers	1,592,434	( 969,278)	427,987	( 894,313)	2,020,421	( 1,863,591)
Transfers	<u>( 143,672)</u>	<u>147,219</u>	<u>143,672</u>	<u>( 147,219)</u>	<u>-</u>	<u>-</u>
Change in net position	1,448,762	( 822,059)	571,659	( 1,041,532)	2,020,421	( 1,863,591)
Net position, beginning	<u>9,462,009</u>	<u>10,284,068</u>	<u>12,659,141</u>	<u>13,700,673</u>	<u>22,121,150</u>	<u>23,984,741</u>
Net position, ending	<u>\$ 10,910,771</u>	<u>\$ 9,462,009</u>	<u>\$ 13,230,800</u>	<u>\$ 12,659,141</u>	<u>\$ 24,141,571</u>	<u>\$ 22,121,150</u>

**Government Funds**

In the General Fund, fund balance decreased by \$127,845. The decrease was due mainly to an increase in public safety and capital outlay expenditures for FY 2020.

The Economic Development Corporation Fund balance increased by \$81,630. The increase is due to an decrease in capital outlay expenditures for FY 2020.

The Debt Service Fund balance increased by \$47,818 due to an increase in property tax revenue.

The Hotel Conference Center Fund decreased by \$50,066 due to increased capital outlay expenditures.

**Proprietary Fund**

Unrestricted net position of the proprietary fund (water and utility) was (\$3,634,558). The net position of the Water and Utility Fund increased by \$571,659. This increase was due to a decrease in expenses.



**General Fund Budgetary Highlights**

The City made revisions to the original appropriations approved by the City Council. These changes resulted in an increase in budgeted expenditures in the amount of \$125,300 from the original budget of \$13,118,630 to the revised budget of \$13,243,930 or 1.0% increase. The majority of this increase was due to an increase in administration expenditures.

The variance between the final amended budget and actual expenditures was a negative \$330,282. General Government actual expenditures were above budgeted expenditures by \$179,306. Additionally, Street expenditures were less than the budget by \$116,424. This was mainly due to personnel services costs.

**Capital Assets**

The following activity represents major capital asset activity for the fiscal year ended September 30, 2020:

- Purchase of land at Buena Vista at a cost of \$773,729
- Lakeside Park construction and improvements at a cost of \$234,842.

Additional information regarding capital assets can be found in the notes to the financial statements on page 33.

**CITY OF MARBLE FALLS' CAPITAL ASSETS AT YEAR-END**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Land	\$ 10,341,624	\$ 9,567,895	\$ 738,908	\$ 681,006	\$ 11,080,532	\$ 10,248,901
Buildings and improvements	65,123,842	63,771,402	67,099,832	67,074,051	132,223,674	130,845,453
Machinery and equipment	6,717,424	5,911,634	1,633,272	1,446,145	8,350,696	7,357,779
Less: accumulated depreciation	( 45,420,349)	( 41,870,955)	( 30,228,000)	( 28,758,112)	( 75,648,349)	( 70,629,067)
Total capital assets, net	\$ <u>36,762,541</u>	\$ <u>37,379,976</u>	\$ <u>39,244,012</u>	\$ <u>40,443,090</u>	\$ <u>76,006,553</u>	\$ <u>77,823,066</u>

**Debt Administration**

At the end of the current fiscal year, the City had total bonded debt and notes payable of \$57,415,000. Of this amount, \$33,235,090 represents bonded debt backed by the full faith and credit of the City and \$24,179,910 represents payables secured by water and wastewater revenues.

**OUTSTANDING DEBT AT YEAR-END**

	Governmental Activities		Business-type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Bonds	\$ <u>33,235,090</u>	\$ <u>36,970,090</u>	\$ <u>24,179,910</u>	\$ <u>23,374,910</u>	\$ <u>57,415,000</u>	\$ <u>60,345,000</u>
Total	\$ <u>33,235,090</u>	\$ <u>36,970,090</u>	\$ <u>24,179,910</u>	\$ <u>23,374,910</u>	\$ <u>57,415,000</u>	\$ <u>60,345,000</u>

The City's General Obligation, Tax and Certificates of Obligation bond ratings are listed below.

	Moody's Investors Service	Standard & Poor's
General Obligation Bonds	A3	AA-

During the year the City issued new debt. Additional information on the City's long term-debt can be found in the notes to financial statements of this report on pages 34 - 37.

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

The entire area surrounding the City of Marble Falls continues to experience unprecedented growth. The City's population is estimated to be in excess of 6,900 in 2021. The City is continuing to focus on Economic Development initiatives.

The City's largest source of revenue in the General Fund is Sales Tax. The City realized an increase of 8.6% from the prior year revenue of \$7,136,935 to \$7,442,366. The 2021 estimate is conservatively projected at \$7,120,746. The Marble Falls Economic Development Corporation is funded by a voter approved, half-cent sales tax, which is used to offer grants and other economic incentives to existing and new businesses. The City's financial management policies sets the guideline to maintain the fund balance and net position of the various operating funds at levels sufficient to protect the City's creditworthiness as well as its financial position from unforeseeable emergencies.

The City's second largest source of revenue in the General Fund is ad valorem taxes. The City's tax rate is \$0.6100. This rate consists of a maintenance and operations (M&O) tax rate of \$0.2569 and an Interest and Sinking (debt service) tax rate of \$0.3531. The rate was set based on a net position value of \$892,093,318. The assessed values increased about 15% for FY 2020.

Water revenues for 2020 are budgeted at \$3,917,353 which is an increase of 11% over the prior year. Wastewater revenues are budgeted at \$1,900,000, representing a 2% increase over the prior year.

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

This financial report is designed to provide our citizens, customers, investors, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, contact the Finance Department; 800 Third Street; Marble Falls, Texas 78654 or call Winston Duke (830) 693-3615 or e-mail [wduke@marblefallstx.gov](mailto:wduke@marblefallstx.gov).

**BASIC  
FINANCIAL STATEMENTS**

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 11,124,420	\$ -	\$ 11,124,420
Receivables, net of allowances for uncollectibles			
Taxes	2,046,920	-	2,046,920
Customer accounts	1,128,610	924,228	2,052,838
Other	1,467	-	1,467
Due from other governments	424,430	-	424,430
Internal balances	784,708	( 784,708)	-
Due from fiduciary fund	10,100	-	10,100
Inventories	-	272,190	272,190
Prepaid items	1,248	-	1,248
Capital assets:			
Land	10,341,624	738,908	11,080,532
Buildings and improvements	65,123,842	67,099,832	132,223,674
Machinery and equipment	6,717,424	1,633,272	8,350,696
Accumulated depreciation	( 45,420,349)	( 30,228,000)	( 75,648,349)
Total capital assets, net of accumulated depreciation	36,762,541	39,244,012	76,006,553
Total assets	52,284,444	39,655,722	91,940,166
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflow related to pensions	610,276	100,335	710,611
OPEB - TMRS supplemental death benefit	76,011	11,992	88,003
OPEB - Retiree health plan	95,699	15,579	111,278
Deferred loss on bond refunding	343,607	461,491	805,098
Total deferred outflows of resources	1,125,593	589,397	1,714,990
<b>LIABILITIES</b>			
Accounts payable	1,187,243	164,445	1,351,688
Accrued liabilities	154,542	32,270	186,812
Due to others	62,600	52,458	115,058
Customer deposits	26,719	554,499	581,218
Accrued interest	188,690	117,667	306,357
Noncurrent liabilities:			
Due within one year			
General and certificates of obligation	3,100,000	1,645,000	4,745,000
Tax notes	475,000	-	475,000
Capital lease	233,094	56,167	289,261
Compensated absences	157,314	22,644	179,958
Due in more than one year			
General and certificates of obligation	30,135,090	23,544,579	53,679,669
Tax notes	520,000	-	520,000
Bond premiums	1,394,617	-	1,394,617
Capital lease	649,714	157,272	806,986
Compensated absences	471,942	67,930	539,872
Net pension liability	1,930,616	318,733	2,249,349
OPEB - TMRS supplemental death benefit	371,892	61,397	433,289
OPEB - Retiree health plan	457,068	74,406	531,474
Total liabilities	\$ 41,516,141	\$ 26,869,467	\$ 68,385,608

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflow related to pensions	\$ 904,138	\$ 132,230	\$ 1,036,368
OPEB - TMRS supplemental death benefit	43,228	6,801	50,029
OPEB - Retiree health plan	35,759	5,821	41,580
Total deferred inflows of resources	<u>983,125</u>	<u>144,852</u>	<u>1,127,977</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,402,554	16,865,358	24,267,912
Restricted for:			
Economic development	2,415,397	-	2,415,397
Debt service	123,628	-	123,628
Public safety	132,912	-	132,912
Culture and recreation	544,713	-	544,713
Unrestricted	<u>291,567</u>	<u>( 3,634,558)</u>	<u>( 3,342,991)</u>
Total net position	<u>\$ 10,910,771</u>	<u>\$ 13,230,800</u>	<u>\$ 24,141,571</u>

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF ACTIVITIES

FOR THE FISCAL YEAR ENDED SEPTEMBER, 30 2020

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary government:</b>				
Governmental activities:				
General government	\$ 5,776,274	\$ 528,768	\$ 24,760	\$ -
Public safety	8,087,970	402,037	623,906	-
Public works	1,524,668	288,601	-	-
Culture and recreation	1,781,135	97,279	309,360	-
Interest on long-term debt	1,204,850	-	-	-
Total governmental activities	<u>18,374,897</u>	<u>1,316,685</u>	<u>958,026</u>	<u>-</u>
Business-type activities:				
Water and sewer	<u>5,622,704</u>	<u>6,044,484</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>5,622,704</u>	<u>6,044,484</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 23,997,601</u>	<u>\$ 7,361,169</u>	<u>\$ 958,026</u>	<u>\$ -</u>

General revenues:

Taxes:

Property, levied for general purposes

Property, levied for debt service

Sales

Franchise

Other

Investment earnings

Gain (loss) on sale of assets

Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, ending

Net (Expense) Revenue and  
Changes in Net Position

Primary Government		
Governmental Activities	Business-type Activities	Total
\$( 5,222,746)	\$ -	\$( 5,222,746)
( 7,062,027)	-	( 7,062,027)
( 1,236,067)	-	( 1,236,067)
( 1,374,496)	-	( 1,374,496)
( 1,204,850)	-	( 1,204,850)
<u>( 16,100,186)</u>	<u>-</u>	<u>( 16,100,186)</u>
-	421,780	421,780
<u>-</u>	<u>421,780</u>	<u>421,780</u>
( 16,100,186)	421,780	( 15,678,406)
2,528,591	-	2,528,591
3,459,786	-	3,459,786
9,952,643	-	9,952,643
554,140	-	554,140
616,648	-	616,648
121,181	6,207	127,388
307,813	-	307,813
151,818	-	151,818
<u>( 143,672)</u>	<u>143,672</u>	<u>-</u>
<u>17,548,948</u>	<u>149,879</u>	<u>17,698,827</u>
1,448,762	571,659	2,020,421
<u>9,462,009</u>	<u>12,659,141</u>	<u>22,121,150</u>
<u>\$ 10,910,771</u>	<u>\$ 13,230,800</u>	<u>\$ 24,141,571</u>

**CITY OF MARBLE FALLS, TEXAS**

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
<b>ASSETS</b>			
Cash and investments	\$ 1,628,617	1,260,059	\$ -
Receivables, net of allowances for uncollectibles:			
Property taxes	25,465	-	128,817
Other taxes	1,311,158	433,873	-
Accounts	409,908	-	-
Other	-	75	-
Due from other governments	424,430	-	-
Due from other funds	592,907	794,321	-
Prepaid items	<u>1,248</u>	<u>-</u>	<u>-</u>
Total assets	<u>4,393,733</u>	<u>2,488,328</u>	<u>128,817</u>
<b>LIABILITIES</b>			
Accounts payable	815,808	67,787	-
Accrued liabilities	149,398	5,144	-
Due to other funds	665,586	-	24,191
Due to others	62,600	-	-
Customer deposits	<u>26,719</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,720,111</u>	<u>72,931</u>	<u>24,191</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	21,690	-	123,628
Unavailable revenue - grants	302,642	-	-
Unavailable revenue - court fines and fees	<u>284,673</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>609,005</u>	<u>-</u>	<u>123,628</u>
<b>FUND BALANCES</b>			
Nonspendable	1,248	-	-
Restricted	-	2,415,397	-
Unassigned	<u>2,063,369</u>	<u>-</u>	<u>( 19,002)</u>
Total fund balances	<u>2,064,617</u>	<u>2,415,397</u>	<u>( 19,002)</u>
Total liabilities, deferred inflows of resources and fund balances	\$ <u>4,393,733</u>	<u>2,488,328</u>	\$ <u>128,817</u>

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.

Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable resources in the governmental funds balance sheet, but are recognized as revenue in the statement of activities.

The assets and liabilities of internal service funds are not included in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Losses on refunding of bonds and the premium on issuance of bonds payable are not reported in the funds.

Net position of governmental activities



<u>Hotel Conference Center</u>	<u>Other Governmental</u>	<u>Total Governmental</u>
\$ 6,557,561	\$ 1,511,785	\$ 10,958,022
-	-	154,282
-	147,607	1,892,638
-	-	409,908
-	1,392	1,467
-	-	424,430
-	226,092	1,613,320
-	-	1,248
<u>6,557,561</u>	<u>1,886,876</u>	<u>15,455,315</u>
-	303,648	1,187,243
-	-	154,542
128,735	-	818,512
-	-	62,600
-	-	26,719
<u>128,735</u>	<u>303,648</u>	<u>2,249,616</u>
-	-	145,318
-	-	302,642
-	-	284,673
-	-	732,633
-	-	1,248
6,428,826	1,583,228	10,427,451
-	-	2,044,367
<u>6,428,826</u>	<u>1,583,228</u>	<u>12,473,066</u>
\$ <u>6,557,561</u>	\$ <u>1,886,876</u>	
		36,762,541
		1,451,335
		166,398
		( 39,942,569)
		\$ <u>10,910,771</u>

**CITY OF MARBLE FALLS, TEXAS**

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

FOR THE FISCAL YEAR ENDED SEPTEMBER, 30 2020

	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>
<b>REVENUES</b>			
Property taxes	\$ 2,524,516	\$ -	\$ 3,453,565
Sales taxes	7,464,508	2,488,135	-
Hotel/motel taxes	-	-	-
Mixed beverage taxes	44,121	-	-
Franchise fees	554,140	-	-
Fines and forfeitures	250,166	-	-
Permits and fees	341,699	37,038	-
Intergovernmental	825,929	24,760	-
Investment earnings	20,267	6,568	11,522
Other	198,429	-	-
Total revenues	<u>12,223,775</u>	<u>2,556,501</u>	<u>3,465,087</u>
<b>EXPENDITURES</b>			
Current:			
General government	3,067,555	721,777	-
Public safety	6,366,015	-	-
Public works	1,402,653	-	-
Culture and recreation	1,004,410	-	-
Capital outlay	1,435,615	303,209	-
Debt service:			
Principal	261,410	535,000	2,895,000
Interest and fiscal charges	36,554	381,376	779,692
Bond issuance costs	-	-	91,253
Total expenditures	<u>13,574,212</u>	<u>1,941,362</u>	<u>3,765,945</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,350,437)</u>	<u>615,139</u>	<u>( 300,858)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of debt	-	-	4,405,000
Payment to escrow agent	-	-	( 4,934,950)
Proceeds from lease	532,272	-	-
Premium on bond issuance	-	-	525,039
Sale of capital assets	89,986	294,592	-
Proceeds from insurance	36,702	-	-
Transfers in	1,152,015	-	353,587
Transfers out	<u>( 588,383)</u>	<u>( 828,101)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,222,592</u>	<u>( 533,509)</u>	<u>348,676</u>
<b>NET CHANGE IN FUND BALANCES</b>	<u>( 127,845)</u>	81,630	47,818
<b>FUND BALANCES, BEGINNING</b>	<u>2,192,462</u>	<u>2,333,767</u>	<u>( 66,820)</u>
<b>FUND BALANCES, ENDING</b>	<u>\$ 2,064,617</u>	<u>\$ 2,415,397</u>	<u>\$ ( 19,002)</u>

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

Hotel Conference Center	Other Governmental	Total Governmental
\$ -	\$ -	\$ 5,978,081
-	-	9,952,643
-	570,439	570,439
-	-	44,121
-	-	554,140
-	198,923	449,089
-	-	378,737
-	32,928	883,617
78,669	4,155	121,181
-	-	198,429
<u>78,669</u>	<u>806,445</u>	<u>19,130,477</u>
-	2,144	3,791,476
-	94,209	6,460,224
-	-	1,402,653
-	540,729	1,545,139
128,735	978,421	2,845,980
-	-	3,691,410
-	-	1,197,622
-	-	91,253
<u>128,735</u>	<u>1,615,503</u>	<u>21,025,757</u>
( 50,066)	( 809,058)	( 1,895,280)
-	-	4,405,000
-	-	( 4,934,950)
-	-	532,272
-	-	525,039
-	-	384,578
-	-	36,702
-	107,317	1,612,919
-	( 427,272)	( 1,843,756)
-	( 319,955)	717,804
( 50,066)	( 1,129,013)	( 1,177,476)
<u>6,478,892</u>	<u>2,712,241</u>	<u>13,650,542</u>
\$ <u>6,428,826</u>	\$ <u>1,583,228</u>	\$ <u>12,473,066</u>

**CITY OF MARBLE FALLS, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Amounts reported for governmental activities in the Statement of Activities (pages 11 - 12) are different because:

Net change in fund balances - total governmental funds (pages 15 - 16)	\$( 1,177,476)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	( 672,402)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	492,339
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.	3,118,479
Certain pension expenditures are not expended in the government-wide financial statements and recorded as deferred resource outflows. This item relates to contributions made after the measurement date. Additionally, a portion of the City's unrecognized deferred resource outflows related to the pension liability were amortized.	( 645,329)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities.	87,165
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>245,986</u>
Change in net position of governmental activities (pages 11 - 12)	\$ <u>1,448,762</u>

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF NET POSITION  
PROPRIETARY FUND

SEPTEMBER 30, 2020

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>	Governmental Activities <u>Internal Service Fund</u> <u>Equipment Replacement</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ -	\$ 166,398
Accounts receivable, net of allowance	924,228	-
Inventories	<u>272,190</u>	<u>-</u>
Total current assets	<u>1,196,418</u>	<u>166,398</u>
Noncurrent assets:		
Capital assets:		
Land	738,908	-
Buildings and improvements	67,099,832	-
Machinery and equipment	1,633,272	150,567
Accumulated depreciation	<u>( 30,228,000)</u>	<u>-</u>
Total capital assets	<u>39,244,012</u>	<u>150,567</u>
Total noncurrent assets	<u>39,244,012</u>	<u>150,567</u>
Total assets	<u>40,440,430</u>	<u>316,965</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflow related to pensions	100,335	-
OPEB obligation - TMRS supplemental death benefit	11,992	-
OPEB obligation - Retiree health plan	15,579	-
Deferred loss on bond refunding	<u>461,491</u>	<u>-</u>
Total deferred outflows of resources	<u>589,397</u>	<u>-</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	164,445	-
Accrued liabilities	32,270	-
Due to other funds	784,708	-
Customer deposits	554,499	-
Due to others	52,458	-
Accrued interest	117,667	-
Compensated absences	22,644	-
Capital leases	56,167	-
Bonds payable	<u>1,645,000</u>	<u>-</u>
Total current liabilities	<u>\$ 3,429,858</u>	<u>\$ -</u>

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

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF NET POSITION  
 PROPRIETARY FUND

SEPTEMBER 30, 2020

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>	Governmental Activities <u>Internal Service Fund</u> <u>Equipment Replacement</u>
<b>LIABILITIES</b>		
Noncurrent liabilities:		
Compensated absences	\$ 67,930	\$ -
Capital leases	157,272	-
Bonds payable	23,544,579	-
Net pension liability	318,733	-
OPEB obligation - TMRS supplemental death benefit	61,397	-
OPEB obligation - Retiree health plan	<u>74,406</u>	<u>-</u>
Total noncurrent liabilities	<u>24,224,317</u>	<u>-</u>
 Total liabilities	 <u>27,654,175</u>	 <u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Deferred inflow related to pensions	132,230	-
OPEB obligation - TMRS supplemental death benefit	6,801	-
OPEB obligation - Retiree health plan	<u>5,821</u>	<u>-</u>
Total deferred inflows of resources	<u>144,852</u>	<u>-</u>
<b>NET POSITION</b>		
Net investment in capital assets	16,865,358	150,567
Unrestricted	<u>( 3,634,558)</u>	<u>166,398</u>
 Total net position	 <u>\$ 13,230,800</u>	 <u>\$ 316,965</u>

**CITY OF MARBLE FALLS, TEXAS**

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities Enterprise Fund <u>Water and Utility</u>	Governmental Activities Internal Service Fund <u>Equipment Replacement</u>
<b>OPERATING REVENUES</b>		
Water and utility charges	\$ 5,890,376	\$ -
Miscellaneous	<u>154,108</u>	<u>-</u>
Total operating revenues	<u>6,044,484</u>	<u>-</u>
<b>OPERATING EXPENSES</b>		
Personnel services	1,525,871	-
Supplies	449,320	-
Repairs and maintenance	754,778	-
Purchased and contracted services	473,144	-
Other services and charges	116,278	-
Depreciation	<u>1,469,888</u>	<u>-</u>
Total operating expenses	<u>4,789,279</u>	<u>-</u>
<b>OPERATING GAIN</b>	<u>1,255,205</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	6,207	-
Interest and fiscal charges	<u>( 833,425)</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>( 827,218)</u>	<u>-</u>
<b>INCOME BEFORE TRANSFERS</b>	427,987	-
<b>TRANSFERS OUT</b>	<u>( 511,699)</u>	<u>-</u>
<b>TRANSFERS IN</b>	<u>655,371</u>	<u>87,165</u>
<b>CHANGE IN NET POSITION</b>	571,659	87,165
<b>NET POSITION, BEGINNING</b>	<u>12,659,141</u>	<u>229,800</u>
<b>NET POSITION, ENDING</b>	<u>\$ 13,230,800</u>	<u>\$ 316,965</u>

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>	Governmental Activities <u>Internal Service Fund</u> <u>Equipment Replacement</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers and users	\$ 5,964,969	\$ -
Cash paid to suppliers for goods and services	( 4,399,938)	-
Cash paid to employees for services	( 1,472,574)	-
Net cash provided by operating activities	<u>92,457</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to other funds	( 511,699)	-
Transfers from other funds	655,371	87,165
Net cash used by noncapital financing activities	<u>143,672</u>	<u>87,165</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition of capital assets	( 270,810)	( 54,967)
Proceeds from issuance of long-term debt	2,293,803	-
Principal repayments on long-term debt	( 1,436,742)	-
Interest and fiscal charges paid on debt	( 828,587)	-
Net cash used by capital and related financing activities	<u>( 242,336)</u>	<u>( 54,967)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest and investment earnings	<u>6,207</u>	<u>-</u>
Net cash provided by investing activities	<u>6,207</u>	<u>-</u>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	-	32,198
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>	<u>-</u>	<u>134,200</u>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	\$ <u>-</u>	\$ <u>166,398</u>



**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities <u>Enterprise Fund</u> <u>Water and Utility</u>	Governmental Activities <u>Internal Service Fund</u> <u>Equipment Replacement</u>
Reconciliation of operating income (loss) to net cash used by operating activities:		
Operating loss	\$ 1,255,205	\$ -
Adjustments to reconcile operating income (loss) to net cash used by operating activities:		
Depreciation and amortization	1,469,888	-
Changes in assets and liabilities:		
Decrease (increase) in assets:		
Customer receivable	( 93,556)	-
Inventory	13,529	-
Net pension asset	( 153,544)	-
Deferred outflow related to pensions	137,368	-
Increase (decrease) in liabilities:		
Accounts payable	( 44,990)	-
Accrued liabilities	7,333	-
OPEB net pension obligation	8,120	-
Due to other funds	( 2,565,662)	-
Customer deposits	14,041	-
Due to others	( 17,124)	-
Deferred inflow related to pensions	123,719	-
Deferred inflow related to OPEB	7,829	-
Compensated absences payable	<u>( 69,699)</u>	<u>-</u>
Net cash provided by operating activities	\$ <u>92,457</u>	\$ <u>-</u>

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

SEPTEMBER 30, 2020

	<u>Total Trust Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 124,061
Accounts receivable	<u>13,116</u>
Total assets	<u>137,177</u>
<b>LIABILITIES</b>	
Accounts payable	\$ 124,016
Due to other funds	<u>10,100</u>
Total liabilities	<u>\$ 134,116</u>
<b>NET POSITION</b>	
Held in trust	<u>\$ 3,061</u>

**CITY OF MARBLE FALLS, TEXAS**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY NET POSITION

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	<u>Total Trust Funds</u>
<b>ADDITIONS</b>	
Property tax assessment	\$ 53,933
Investment earnings	<u>311</u>
Total additions	<u>54,244</u>
<b>DEDUCTIONS</b>	
Purchased and contracted services	25,342
Miscellaneous expense	<u>17,000</u>
Total deductions	<u>42,342</u>
<b>CHANGE IN NET POSITION</b>	11,902
<b>NET POSITION, BEGINNING</b>	<u>( 8,841)</u>
<b>NET POSITION, ENDING</b>	<u>\$ 3,061</u>

## CITY OF MARBLE FALLS, TEXAS

### NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Marble Falls is a home rule municipality operating under its own charter since August 9, 1986. The charter provides that the City operate under the council/manager form of government. The City Manager, appointed by the seven-member elected Council, is the Chief Administrative Officer of the City. The City provides the following services: public safety, street maintenance, refuse collection, recreation programs, municipal court, public health, community development, public improvements, water and sewer services, and general administrative services.

##### **Reporting Entity**

As required by Governmental Accounting Standards Board Statement (GASBS) No. 14 and 39, these financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity.

Consideration regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity is based on criteria prescribed by GASBS No. 14 and 39. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is financially independent of other state and local governments. Additional prescribed criteria under GASB No. 14 and No. 39 include considerations pertaining to organizations for which the primary government is financially accountable; and considerations pertaining to other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

As a result of applying the entity definition criteria of the Governmental Accounting Standards Board, the City has included the Economic Development Corporation as a component unit in these financial statements. The Corporation is presented as a blended component unit. The Economic Development Corporation is managed by a board of directors made up of 7 members appointed by the City Council. The Component unit's governing body is substantially the same as the governing body of the primary government. The City Council requires that the Corporation be responsible for the proper discharge of its duties. The Board shall determine its policies and direction within the limitation of the duties imposed by applicable laws, the Articles of Incorporation, Bylaws, budget and fiduciary responsibilities. The City is entitled to and can otherwise access all of the resources of the Economic Development Corporation. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity. Complete financial statements for the Corporation may be obtained at the entity's administrative offices.

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

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

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

The City reports the following major governmental funds:

The **General Fund** is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Economic Development Corporation Fund** is used to account for the use of 4B sales tax revenues that must be used in compliance with statutory restrictions set forth by the state legislature.

The **Debt Service Fund** is used to account for revenue collected for purposes of paying interest on, and retiring, long-term debt including bonds, long-term tax notes, etc.

The **Hotel Conference Center Fund** is used to account for the bond proceeds and the expenditures for the construction of the Hotel Conference Center.

The City reports the following major enterprise fund:

The **Water and Utility Fund** is used to account for the activities of the City's water and wastewater operations.

Additionally, the City reports the following fund types:

**Internal Service Funds** account equipment replacement services provided to other departments on a cost reimbursement basis.

**Private Purpose Trust Funds** are used to account for assets held by the City in trust for individuals, private organizations and other governments.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and utility function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

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

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

## **Assets, Liabilities, and Net Position or Equity**

### **Cash and Investments**

Cash and investments include cash on hand, deposits with financial institutions, certificates of deposit, and privately managed public funds investment pools (LOGIC & Texas Class).

The 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 contract 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 remaining 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.

The City maintains a pooled cash and investments account for all funds of the City. Each fund's positive equity in the pooled cash account is presented as "cash and investments" in the financial statements. Negative cash balances have been reclassified and are reflected as interfund accounts payable. Interest income and interest expense are allocated to each respective individual fund monthly based on their representative fund balances.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advance to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 180 days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is equal to 10 percent of outstanding property taxes at September 30, 2020.

Ad valorem property taxes attach as enforceable liens as of January 1. The City's property tax is levied each October 1 on the assessed value listed on the previous January 1 for all real and personal property located in the City. Property taxes are payable on October 1 and are considered delinquent on February 1. The adjusted tax levy for October 2019 was \$5,945,009. The tax assessment of October 1, 2019 sets a tax levy at \$0.6100 per \$100 of assessed valuation at 100% of assumed market value. Of this amount, \$0.3531 was allocated to debt service.

Legislation has been passed by the Texas Legislature that affects the method of property assessment and tax collection in the City. This legislation, with certain exceptions, exempts intangible personal property and household goods. In addition, this legislation creates a "Property Tax Code" and provides, among other things, for the establishment of countywide appraisal districts and for a state property tax board, which commenced operation in January 1980.

The value of property within the appraisal district must be reviewed at least every three years. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action. Under this legislation, the City continues to set tax rates on City property. However, if the effective tax rate, excluding tax rates for bonds and other contractual obligations and adjusted for new improvements, exceeds the rate for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate to no more than 8% above the tax rate of the previous year.

**Inventories and Prepaid Items**

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include property, plant, equipment, and infrastructure are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Assets	Years
Buildings	20-50
Improvements	5-50
Equipment	5-10
Water and sewer system	40-50

General infrastructure assets acquired prior to October 1, 2004, are not reported in the basic statements. General infrastructure assets include all roads, bridges, and other infrastructure assets acquired subsequent to October 1, 2004.

**Compensated Absences**

The City's employees earn vacation and sick leave which may either be taken or accumulated, up to certain amounts, until paid upon resignation or retirement. All vacation, comp time, personal leave, and sick leave pay are accrued when incurred in the government-wide and proprietary fund financial statements. Upon termination, an employee is paid for 100% of their accrued vacation, comp time, and personal leave pay and for 50% of accrued sick leave pay.

**Long-term Obligations**

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

## **Pensions**

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/deductions from 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.

## **Other Post-Employment Benefits**

***TMRS Supplemental Death Benefits Fund.*** The City participates in the Texas Municipal Retirement System Supplemental Death Benefit Fund (TMRS SDBF), which is an optional single-employer defined benefit life insurance plan that is administered by TMRS. It provides death benefits to active and, if elected, retired employees of participating employers. Contribution rates are determined annually for each participating municipality as a percentage of that City's covered payroll. The death benefit for retirees is considered an other-postemployment benefit (OPEB). The OPEB program is an unfunded trust because the SDBF trust covers both actives and retirees and is not segregated. The Total OPEB Liability of the plan has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the Total OPEB Liability, deferred inflows and outflows of resources, and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms.

## **Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position applying to a future period and will not be recognized as an outflow of resources, either expenses or expenditures, until that time. The City reports the following items qualifying for this category:

- Deferred charges on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.
- Difference in expected and actual pension and OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the pension and OPEB plan - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Pension and OPEB contributions after measurement date - These contributions are deferred and recognized in the following fiscal year.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position applying to a future period and will not be recognized as an inflow of resources, or revenues, until that time. The City reports the following items qualifying for reporting in this category:

- Difference in expected and actual OPEB experience - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions related to the OPEB plan - This difference is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Difference in projected and actual earnings on pension assets - This difference is deferred and amortized over a closed five-year period.



- Deferred unavailable revenues reported on the balance sheet of the governmental funds - A deferred amount is recorded for property taxes, grants and municipal court revenue not yet collected or available. These amounts are deferred and recognized as inflow of resources in the period the amounts become available.

**Net Position**

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

**Estimates**

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

**2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position**

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds." The details of this \$(39,942,569) difference are as follows:

General obligation bonds	\$( 25,145,090)
Sales tax revenue bonds	( 8,090,000)
Tax notes	( 995,000)
Deferred loss on refunding debt issuance	343,607
Bond premiums	( 1,394,617)
TMRS net pension	( 2,224,478)
OPEB - TMRS supplemental death benefit	( 339,109)
OPEB - Retiree health plan	( 397,128)
Capital lease	( 882,808)
Compensated absences	( 629,256)
Accrued interest payable	<u>( 188,690)</u>
Net adjustment to reduce <i>fund balance - total governmental funds</i> to arrive at <i>net position - governmental activities</i>	<u>\$( 39,942,569)</u>

**Explanation of Certain Differences Between the Governmental Fund Statement of Revenue, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities**

The governmental fund statement of revenue, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental fund* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense." The details of this \$(672,402) difference are as follows:

Capital outlay	\$ 2,881,317
Depreciation expense	<u>( 3,553,719)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$( 672,402)</u>

Another element of that reconciliation states, "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this \$492,339 difference are as follows:

Property taxes	\$ 10,296
Grants	302,642
Municipal court	<u>179,401</u>
Net adjustment to increase <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 492,339</u>

Another element of that reconciliation states, "The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of this \$3,118,479 difference are as follows:

General obligation debt payments	\$ 8,140,000
Tax note payments	175,000
Capital lease	( 320,862)
Issuance of general obligation bonds	( 4,405,000)
Premium	( 427,127)
OPEB obligation - TMRS supplemental death benefit	( 29,637)
OPEB obligation - Retiree health plan	<u>( 13,895)</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ 3,118,479</u>

**3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

As of September 30, 2020, the following fund had a deficit fund balance:

Debt Service	\$(19,002)
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**4. DETAILED NOTES ON ALL FUNDS**

**Deposits and Investments**

As of September 30, 2020, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Days)</u>
Logic	\$ 936,039	54
Texas Class	7,195,279	52

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

### **Public Funds Investment Pools**

Public funds 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 AAAM 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.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State and City statutes require that all deposits in financial institutions be fully collateralized by U. S. Government Obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a fair value of not less than the principal amount of deposits. As of September 30, 2020, \$3,178,379 of the City's \$3,458,584 deposit balance was collateralized with securities held by the pledging financial institution. The remaining balance, \$280,175, was covered by FDIC insurance.

*Credit Risk.* It is the City's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. The City's investment pool is rated AAAM by Standard & Poor's Investors Service.

*Interest Rate Risk.* In accordance with its investment policy, the City manages its exposure to declines in fair market values by limiting the average dollar-weighted maturity of its portfolio to a maximum of 365 days.

### **Receivables**

Receivables as of year-end for the City's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental				Proprietary	Total
	General	Economic Development Corporation	Debt Service	Nonmajor Governmental	Water and Utility	
Receivables:						
Property taxes	\$ 28,294	\$ -	\$ 143,130	\$ -	\$ -	\$ 171,424
Other taxes	1,311,158	433,873	-	147,607	-	1,892,638
Customer accounts	563,194	-	-	-	1,169,325	1,732,519
Other	-	75	-	1,392	-	1,467
Gross receivables	<u>1,902,646</u>	<u>433,948</u>	<u>143,130</u>	<u>148,999</u>	<u>1,169,325</u>	<u>3,798,048</u>
Less: allowance for uncollectibles	<u>156,115</u>	<u>-</u>	<u>14,313</u>	<u>-</u>	<u>245,097</u>	<u>415,525</u>
Net total receivables	<u>\$ 1,746,531</u>	<u>\$ 433,948</u>	<u>\$ 128,817</u>	<u>\$ 148,999</u>	<u>\$ 924,228</u>	<u>\$ 3,382,523</u>

## **Capital Assets**

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

	Beginning Balance	Increases	Decreases	Ending Balance
Government activities:				
Capital assets, not being depreciated:				
Land	\$ 9,567,895	\$ 773,729	\$ -	\$ 10,341,624
Total assets not being depreciated	<u>9,567,895</u>	<u>773,729</u>	<u>-</u>	<u>10,341,624</u>
Capital assets, being depreciated:				
Buildings and improvements	63,771,402	1,352,440	-	65,123,842
Machinery and equipment	<u>5,911,634</u>	<u>828,115</u>	<u>( 22,325)</u>	<u>6,717,424</u>
Total capital assets being depreciated	<u>69,683,036</u>	<u>2,180,555</u>	<u>( 22,325)</u>	<u>71,841,266</u>
Less accumulated depreciation:				
Buildings and improvements	( 36,697,278)	( 3,051,076)	-	( 39,748,354)
Machinery and equipment	<u>( 5,173,677)</u>	<u>( 502,643)</u>	<u>4,325</u>	<u>( 5,671,995)</u>
Total accumulated depreciation	<u>( 41,870,955)</u>	<u>( 3,553,719)</u>	<u>4,325</u>	<u>( 45,420,349)</u>
Total capital assets being depreciated, net	<u>27,812,081</u>	<u>( 1,373,164)</u>	<u>( 18,000)</u>	<u>26,420,917</u>
Governmental activities capital assets, net	<u>\$ 37,379,976</u>	<u>\$ ( 599,435)</u>	<u>\$ ( 18,000)</u>	<u>\$ 36,762,541</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 681,006	\$ 57,902	\$ -	\$ 738,908
Total assets not being depreciated	<u>681,006</u>	<u>57,902</u>	<u>-</u>	<u>738,908</u>
Capital assets, being depreciated:				
Buildings and improvements	67,074,051	25,781	-	67,099,832
Machinery and equipment	<u>1,446,145</u>	<u>187,127</u>	<u>-</u>	<u>1,633,272</u>
Total capital assets being depreciated	<u>68,520,196</u>	<u>212,908</u>	<u>-</u>	<u>68,733,104</u>
Less accumulated depreciation:				
Buildings and improvements	( 27,819,989)	( 1,432,014)	-	( 29,252,003)
Machinery and equipment	<u>( 938,123)</u>	<u>( 37,874)</u>	<u>-</u>	<u>( 975,997)</u>
Total accumulated depreciation	<u>( 28,758,112)</u>	<u>( 1,469,888)</u>	<u>-</u>	<u>( 30,228,000)</u>
Total capital assets being depreciated, net	<u>39,762,084</u>	<u>( 1,256,980)</u>	<u>-</u>	<u>38,505,104</u>
Business-type activities capital assets, net	<u>\$ 40,443,090</u>	<u>\$ ( 1,199,078)</u>	<u>\$ -</u>	<u>\$ 39,244,012</u>

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

Governmental activities:	
General government	\$ 1,866,369
Public safety	1,402,533
Public works	85,513
Culture and recreation	<u>199,304</u>
Total depreciation expense - governmental activities	<u>\$ 3,553,719</u>
Business-type activities:	
Water and utility	<u>\$ 1,469,888</u>
Total depreciation expense - business-type activities	<u>\$ 1,469,888</u>

**Interfund Receivables, Payables and Transfers**

The composition of interfund balances as of September 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Water and Utility	\$ 558,616
General	Fiduciary Fund	10,100
General	Debt Service	24,191
Economic Development Corporation	Hotel Conference Center	128,735
Economic Development Corporation	General	665,586
Nonmajor governmental	Water and Utility	<u>226,092</u>
Total		<u>\$ 1,613,320</u>

Balances resulted from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

The following schedule briefly summarizes the City’s transfer activity at the fund level:

Tranfers Out	<u>Transfers In</u>					Total
	<u>General</u>	<u>Debt Service</u>	<u>Nonmajor Governmental</u>	<u>Water and Utility</u>	<u>Internal Service</u>	
General	\$ -	\$ 43,988	\$ 31,900	\$ 462,695	\$ 49,800	\$ 588,383
Economic Development Corporation	728,101	100,000	-	-	-	828,101
Nonmajor Governmental	61,247	109,599	63,750	192,676	-	427,272
Water and Utility	<u>362,667</u>	<u>100,000</u>	<u>11,667</u>	<u>-</u>	<u>37,365</u>	<u>511,699</u>
	<u>\$ 1,152,015</u>	<u>\$ 353,587</u>	<u>\$ 107,317</u>	<u>\$ 655,371</u>	<u>\$ 87,165</u>	<u>\$ 2,355,455</u>

Transfers are used to: (1) move revenues from the fund required by statute or budget to collect them to the fund required by statute or budget to expand them; and (2) fund the City’s match portion for grants.

**Long-term Debt**

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation and revenue bonds, tax notes and notes payable. These debt obligations are secured by either future tax revenue, water and utility system revenue, or liens on property and equipment. Debt obligations that are intended to be repaid from water and utility system revenue have been recorded as business-type activities. All other long-term obligations of the City are considered to be governmental-type activities.

## Bonds Payable and Tax Notes

A summary of the terms of general obligation, revenue, combination tax and revenue bonds, and tax notes outstanding and their corresponding allocations to the governmental and business-type activities at September 30, 2020, follows:

Series and Original Issue Amount	Final Maturity	Interest Rate	Governmental Activities	Business-type Activities
<b>General Obligation Bonds</b>				
2011 Series	2031	2% - 4%	\$ 1,285,000	\$ 460,000
			<u>1,285,000</u>	<u>460,000</u>
<b>General Obligation Refunding Bond</b>				
2011 Series - Private Placement	2020	2.10%	-	-
2012 Series	2023	3%	855,000	-
2013 Series	2034	3.75%-4.5%	1,825,000	-
2014 Series	2030	2% - 4%	-	4,590,000
2015 Series	2027	2%	3,537,840	4,987,160
2017 Series	2028	3%	5,680,000	-
2020 Series	2026	2.125% - 3%	4,405,000	-
			<u>16,302,840</u>	<u>9,577,160</u>
<b>Combination Tax and Revenue Bonds</b>				
2006 Series - Private Placement	2021	4.25%	170,000	-
2013 Series	2033	2 - 4%	-	2,620,000
2014 Series - Private Placement	2034	2 - 4%	2,320,000	780,000
2016 Series	2036	2 - 4%	-	6,595,000
2017 Series	2032	3%	1,370,000	-
2018 Series	2038	3% - 4%	3,697,250	1,962,750
2019 Series	2034	2% - 5%	-	2,185,000
			<u>7,557,250</u>	<u>14,142,750</u>
<b>Sales Tax Revenue Bonds</b>				
2014 Series	2027	4.12%	2,445,000	-
2017 Series	2036	3-4.75%	5,645,000	-
			<u>8,090,000</u>	<u>-</u>
Total Bonds			\$ <u>33,235,090</u>	\$ <u>24,179,910</u>
<b>Tax Notes</b>				
2019 Series - Private Placement	2014	1.79%	\$ 995,000	\$ -
Total Tax Notes			\$ <u>995,000</u>	\$ <u>-</u>

Annual debt service requirements for bonds and tax notes are as follows:

Year Ending September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 2,795,000	\$ 1,220,077	\$ 1,600,000	\$ 647,115
2022	3,055,000	1,123,456	1,645,000	611,540
2023	3,100,000	1,017,822	1,690,000	574,027
2024	2,895,000	911,244	1,735,000	533,727
2025	2,980,000	807,492	1,785,000	488,702
2026-2030	10,167,840	2,558,100	9,867,160	1,683,252
2031-2035	4,627,250	747,061	4,537,750	438,275
2036-2038	1,125,000	57,161	540,000	28,900
Total	\$ <u>30,745,090</u>	\$ <u>8,442,413</u>	\$ <u>23,399,910</u>	\$ <u>5,005,538</u>

  

Year Ending September 30,	Private Placement Governmental Activities		Private Placement Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 780,000	\$ 96,410	\$ 45,000	\$ 26,638
2022	310,000	82,899	45,000	25,288
2023	315,000	75,611	50,000	23,863
2024	320,000	68,204	50,000	22,363
2025	150,000	62,213	50,000	20,863
2026-2030	825,000	233,406	280,000	78,244
2031-2035	785,000	164,500	260,000	21,400
Total	\$ <u>3,485,000</u>	\$ <u>783,243</u>	\$ <u>780,000</u>	\$ <u>218,659</u>

Annual debt service requirements for the capital lease are as follows:

September 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 233,094	\$ 28,598	\$ 56,167	\$ 6,210
2022	150,500	21,092	50,322	4,586
2023	198,974	14,640	51,806	3,102
2024	202,919	7,971	55,144	1,573
2025	47,915	3,415	-	-
2026	49,406	1,737	-	-
Total	\$ <u>882,808</u>	\$ <u>77,453</u>	\$ <u>213,439</u>	\$ <u>15,471</u>

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental activities. These instruments include general obligation bonds, certificates of obligation, and tax notes. These debt obligations are secured by primarily future property tax revenues. In some cases, these bonds are also secured by a pledge of net revenues from the utility system.

Additionally, certain obligations that were marketed as private placements have been separately identified; however, the terms of these obligations are not significantly different than other obligations and do not have substantive acceleration clauses. Should the City default on these bonds, a lawsuit would require the City to raise taxes to cover the annual debt payment.

### **Debt Issuance**

On October 1, 2019 the City issued \$2,185,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019. The debt will be used for a water plant clarifier, wastewater plant planning and design, raw water intake repairs and flood-proofing, and the payment of professional services.

On December 1, 2019, the City issued \$4,405,000 General Obligation Refunding Bonds, Series 2020. The net proceeds from the issuance of the bonds were used to purchase U.S. Government Securities and those securities were deposited in an irrevocable trust with an escrow agent to provide future debt service payments. The refunded bonds are considered legally defeased and the liability for these bonds have been removed. The new bonds defeased \$4,835,000 of the Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2010. The reacquisition price exceeded the net carrying amount of the old debt by 99,950. The City refunded to reduce its total debt service payments by 665,812.

### **Federal Arbitrage**

General obligation bonds, combination tax and revenue bonds and certificates of obligation are subject to the provisions of the Internal Revenue Code of 1986 related to arbitrage and interest income tax regulations under those provisions.

## Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities</b>					
General obligation and Tax Revenue bonds	\$ 12,442,250	\$ -	\$ 6,090,000	\$ 6,352,250	\$ 450,000
General obligation and Tax Revenue bonds - Private Placement	2,785,000	-	295,000	2,490,000	305,000
General obligation refunding bond	12,927,840	4,405,000	1,030,000	16,302,840	1,785,000
General obligation refunding bond - Private Placement	190,000	-	190,000	-	-
Sales tax revenue bond	8,625,000	-	535,000	8,090,000	560,000
Tax notes - Private Placement	1,170,000	-	175,000	995,000	475,000
Premium from issuance of bonds	1,071,639	525,039	202,061	1,394,617	-
Capital Lease	561,946	532,272	211,410	882,808	233,094
Compensated absences	865,944	12,512	249,200	629,256	157,314
Governmental activities long-term liabilities	<u>\$ 40,639,619</u>	<u>\$ 5,474,823</u>	<u>\$ 8,977,671</u>	<u>\$ 37,136,771</u>	<u>\$ 3,965,408</u>
<b>Business-type activities</b>					
Tax and revenue bonds	\$ 22,549,910	\$ 2,185,000	\$ 1,335,000	\$ 23,399,910	\$ 1,600,000
Tax and revenue bonds - Private Placement	825,000	-	45,000	780,000	45,000
Premium from issuance of bonds	979,280	108,803	78,414	1,009,669	-
Capital Lease	266,257	-	52,818	213,439	56,167
Compensated absences	160,273	1,325	71,024	90,574	22,644
Business-type activities long-term liabilities	<u>\$ 24,780,720</u>	<u>\$ 2,295,128</u>	<u>\$ 1,582,256</u>	<u>\$ 25,493,592</u>	<u>\$ 1,723,811</u>

## Accrued Compensated Absences

The compensated absences liability attributable to the governmental activities will be liquidated primarily by the General Fund.

## Net Pension Liability and Other Post Employment Benefit (OPEB) Obligation

When these liabilities are liquidated for governmental activities, the General Fund will be primarily responsible.

## Pledged Revenues

### Marble Falls Economic Development Corporation

The Board of Directors for the Marble Falls Economic Development Corporation adopted a resolution that authorized the issuance of \$4,000,000 worth of Sales Tax Revenue Bonds to pay for the costs of acquiring real property for the Waterfront Project and the Downtown Project, planning the two projects, parking, landscaping, meeting space, boardwalk, trail improvements, open space or park improvements and street improvements related to such projects, and the payment of costs of issuance related to the issuance of the bonds. This debt will be paid for with a one-half and one percent sales and use tax levied on the receipts at retail of taxable items within the City. It is anticipated that the pledged revenues will fully pay for future principal and interest payments. This debt issue is due to be retired in August 2027.



## **Fund Balance**

As of September 30, 2020, governmental fund balance is composed of the following:

<u>Fund Balance Classification</u>	<u>General</u>	<u>Economic Development Corporation</u>	<u>Debt Service</u>	<u>Hotel Conference Center</u>	<u>Other Governmental</u>	<u>Totals</u>
Nonspendable:						
Prepaid items	\$ 1,248	\$ -	\$ -	\$ -	\$ -	\$ 1,248
Restricted:						
Capital acquisition and construction	-	-	-	6,428,826	899,650	7,328,476
Tourism activities	-	-	-	-	544,713	544,713
Public safety	-	-	-	-	93,146	93,146
Building security	-	-	-	-	5,356	5,356
Economic development	-	2,415,397	-	-	-	2,415,397
Police forfeiture	-	-	-	-	40,363	40,363
Unassigned	<u>2,063,369</u>	<u>-</u>	<u>( 19,002)</u>	<u>-</u>	<u>-</u>	<u>2,044,367</u>
Total governmental fund balance	<u>\$ 2,064,617</u>	<u>\$ 2,415,397</u>	<u>\$ ( 19,002)</u>	<u>\$ 6,428,826</u>	<u>\$ 1,583,228</u>	<u>\$ 12,473,066</u>

## **Net Pension and Total OPEB Liabilities and Expenses**

Amounts are aggregated into a single net pension liability and total OPEB liability, and expenses for certain columns. Below is the detail of net pension liability and total OPEB liability and expenses for governmental and business-type activities.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
		<u>Water and Utility</u>	<u>Totals</u>
Net pension liability	<u>\$ 1,930,616</u>	<u>\$ 318,733</u>	<u>\$ 2,249,349</u>
Total OPEB liability:			
Due in more than one year:			
OPEB - TMRS supplemental death benefit	\$ 371,892	\$ 61,397	\$ 433,289
OPEB - Retiree health plan	<u>457,068</u>	<u>74,406</u>	<u>531,474</u>
Total due in more than one year	<u>828,960</u>	<u>135,803</u>	<u>964,763</u>
Total OPEB liability	<u>\$ 828,960</u>	<u>\$ 135,803</u>	<u>\$ 964,763</u>

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
		<u>Water and Utility</u>	<u>Totals</u>
Pension expense	<u>\$ 1,304,377</u>	<u>\$ 215,345</u>	<u>\$ 1,519,722</u>
OPEB expense:			
OPEB - TMRS supplemental death benefit	\$ 35,284	\$ 5,825	\$ 41,109
OPEB - Retiree health plan	<u>36,716</u>	<u>5,977</u>	<u>42,693</u>
Total OPEB expense	<u>\$ 72,000</u>	<u>\$ 11,802</u>	<u>\$ 83,802</u>

## **Defined Benefit Pension Policies**

**Plan Descriptions.** The City of Marble Falls participates as one of 883 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agency multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Sections 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.org](http://www.tmrs.org).

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

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

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

The City has approved an annually repeating (automatic) basis a monetary credit referred to as an updated service credit (USC) which is a theoretical amount which takes into account salary increases or plan improvements. If at any time during their career an employee earns a USC, this amount remains in their account earning interest at 5% until retirement. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer match plus employer financed monetary credits, such as USC, with interest were used to purchase an annuity. Additionally, City provides on an annually repeating (automatic) basis cost of living adjustments (COLA) for retirees equal to a percentage of the change in the consumer price index (CPI).

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

Employee deposit rate	7.0%
Matching ratio (City to employee)	2 to 1
Years required for vesting	5
Service retirement eligibility	Vested and age 60 or 20 years and :
Updated service credit	100% Repeating

**Employees covered by benefit terms**

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

Inactive employees or beneficiaries currently receiving benefits	88
Inactive employees entitled to but not yet receiving benefits	67
Active employees	<u>118</u>
	<u>273</u>

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

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 9.56% and 11.14% in calendar years 2019 and 2020, respectively. The city’s contributions to TMRS for the year ended September 30, 2020, were \$780,674, and were equal to the required contributions.

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

### **Actuarial assumptions**

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

Inflation	2.5% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates return for each major assets 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>
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

### **Discount Rate**

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

### Changes in the Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a) - (b)
Balance at 12/31/2018	\$ 24,866,991	\$ 21,326,683	\$ 3,540,308
Changes for the year:			
Service cost	1,094,985	-	1,094,985
Interest	1,725,798	-	1,725,798
Change in benefits terms including substantively automatic status	674,344	-	674,344
Difference between expected and actual experience	( 383,270)	-	( 383,270)
Contributions - employer	-	680,345	( 680,345)
Contributions - employee	-	508,282	( 508,282)
Net investment income	-	3,292,624	( 3,292,624)
Benefit payments, including refunds of employee contributions	( 1,042,897)	( 1,042,897)	-
Administrative expense	-	( 18,630)	18,630
Other changes	59,245	( 560)	59,805
Net changes	<u>2,128,205</u>	<u>3,419,164</u>	<u>( 1,290,959)</u>
Balance at 12/31/2019	<u>\$ 26,995,196</u>	<u>\$ 24,745,847</u>	<u>\$ 2,249,349</u>

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/ (asset)	\$ 6,091,427	\$ 2,249,349	\$( 897,749)

### Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. The report may be obtained on the Internet at [www.tmr.org](http://www.tmr.org).

### 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 \$1,519,722. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 59,312	\$ 292,005
Changes in actuarial assumptions	43,189	-
Difference between projected and actual investment earnings	-	744,363
Contributions subsequent to the measurement date	<u>608,110</u>	<u>-</u>
Total	<u>\$ 710,611</u>	<u>\$ 1,036,368</u>

\$608,110 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expenses as follows:

<u>For the year ended September 30,</u>	
2021	\$( 299,187)
2022	( 342,562)
2023	( 42,587)
2024	( 287,527)
2021	( 164,850)
Thereafter	202,846

**Defined Other Post-Employment Benefit Plans**

**Retiree Health Care Plan**

**Plan Description.** The City provides health care benefits through a single-employer defined benefit OPEB, for all fulltime employees in an eligible class. All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan’s blended premium. The City’s GASB 75 liability is entirely attributable to the implicit rate subsidy.

***Benefits Provided***

Plan Participants

All full-time employees of the City may participate in the retiree health plan upon retirement. Eligible retirees are required to pay 100% of the plan’s blended premium. The City’s GASB 75 liability is entirely attributable to the implicit rate subsidy.

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

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	4
Active Plan Members	<u>118</u>
Total	<u><u>122</u></u>

Normal Retirement Benefits

Members of the Texas Municipal Retirement System (TMRS) are eligible for normal retirement upon reaching age 60 with 5 years of service, or at any age with 20 years of service. The health care benefits are identical to the coverage offered to active employees.

Deferred Retirement Benefits

Employees who terminate service prior to retirement are not eligible for retiree medical coverage.

Death-in-Service Retirement Benefits

Surviving spouses of active employees who die while employed are allowed continued coverage through COBRA only.

Disability Retirement Benefits

Members who retire through disability retirement are eligible for retiree medical coverage.

Benefits for Spouses of Retired Employees

Spouses of eligible retirees are allowed coverage under the plan. Spouse coverage will end once the member is no longer covered.

Medicare – Eligible Provisions

Qualified retirees and eligible spouses are required to enroll in Medicare once eligible.

Dental and Vision Coverage

The City offers dental and vision coverage for retirees and their dependents. Retirees are 100% responsible for the dental and vision premiums.

Life Insurance Coverage

The City does not offer life insurance coverage for retirees and dependents.

Retiree Opt-out

The City does not provide any financial reward to retirees who opt-out.

Monthly Retiree Premiums Effective October 1, 2019

Health Plan	Employee Only	Employee & Spouse	Employee & Child(ren)	Employee & Family
HSA	\$534	\$1,070	\$897	\$1,299
Plan 1	\$626	\$1,254	\$1,055	\$1,518
HAS NC	\$560	\$1,122	\$941	\$1,362
Plan1 NC	\$663	1,329	\$1,119	\$1,609

The City does not contribute to HSA accounts.

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

Measurement year ended December 31,	2019
Actuarial cost method	Individual Entry-Age
Inflation rate	2.50% per annum
Discount rate	2.75
Salary Increases	3.50% to 11.5% including inflation
Demographic Assumptions	Based on the experience study covering the four year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS)
Mortality	For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements.
Health Care Trend Rates	Initial rate of 7.50% declining to an ultimate rate of 4.15% after 15 years
Participation Rates	25% for retirees that are at least 50 years old at retirement; 0% for retirees that are less than 50 years old at retirement

**Discount Rate.** The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. Additionally, the demographic assumptions were updated to reflect the 2019 TMRS Experience Study, and the health care trend and participation assumptions were updated to better reflect anticipated plan experience.

**Sensitivity of Total OPEB Liability to the Discount Rate Assumption.** Regarding the sensitivity of the total OPEB liability to changes in the discount rate, the following presents the plan’s total OPEB liability, calculated using a discount rate of 2.75%, as well as what the plan’s total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease in Discount Rate (1.75%)	Current Discount Rate Assumption (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	\$ 580,621	\$ 531,474	\$ 486,648

**Sensitivity of Total OPEB Liability to the Healthcare Cost Trend Rate Assumption.** Regarding the sensitivity of the total OPEB liability to changes in the healthcare cost trend rates, the following presents the plan's total OPEB liability, calculated using the assumed trend rates as well as what the plan's total OPEB liability would be if it were calculated using a trend rate that is one percent lower or one percent higher:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rate Assumption</u>	<u>1% Increase</u>
Total OPEB Liability	\$ 472,505	\$ 531,474	\$ 601,332

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEB.** At September 30, 2020, the City reported a liability of \$531,474 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of \$42,693. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at 12/31/2018	\$ 445,530
Changes for the year:	
Service cost	17,770
Interest	16,577
Difference between expected and actual experience	( 31,400)
Changes of assumptions	98,195
Benefit payments	<u>( 15,198)</u>
Net changes	<u>85,944</u>
Balance at 12/31/2019	<u>\$ 531,474</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 28,674
Changes in actuarial assumptions	99,880	12,906
Contributions subsequent to the measurement date	<u>11,398</u>	<u>-</u>
Totals	<u>\$ 111,278</u>	<u>\$ 41,580</u>

\$11,398 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year Ended September 30,</u>	
2021	\$ 8,346
2022	8,346
2023	8,346
2024	8,346
2025	8,346
Thereafter	16,570

**TMRS Supplemental Death Benefits Fund**

**Plan Description.** The City voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a single-employer defined benefit Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City’s pension plan.

**Benefits Provided.** The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this program via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

Payments from this fund are similar to group-term life insurance benefits and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other employment benefit and is a fixed amount of \$7,500.

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

Inactive employees or beneficiaries currently receiving benefits	63
Inactive employees entitled to but not yet receiving benefits	21
Active employees	<u>118</u>
Total	<u>202</u>

**Contributions.** The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.19% for 2020 and 0.19% for 2019, of which 0.04% and 0.04%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees’ entire careers. The City’s contributions to the SDBF for the years ended September 30, 2020 and 2019 were \$2,906 and \$2,868, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Measurement year ended December 31,	2019
Inflation rate	2.50% per annum
Discount rate	2.75%
Actuarial cost method	Entry Age Normal Method
Projected salary increases	3.50% to 11.5% including inflation

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

Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who became disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor. Administrative expenses for the SDBF are paid through the TMRS Pension Trust Fund and are wholly accounted for under the provisions of GASB Statement No. 68.



Changes in assumptions reflect the annual change in the municipal bond rate. The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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

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

	<u>1% Decrease in Discount Rate (1.75%)</u>	<u>Discount Rate (2.75%)</u>	<u>1% Increase in Discount Rate (3.75%)</u>
Total OPEB Liability	\$ 528,417	\$ 433,289	\$ 360,699

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs.** At September 30, 2020, the City reported a liability of \$433,289 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of \$41,109. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance at 12/31/2018	\$ 378,035
Changes for the year:	
Service cost	15,248
Interest	14,254
Difference between expected and actual	( 43,322)
Changes of assumptions	71,978
Benefit payments	<u>( 2,904)</u>
Net changes	<u>55,254</u>
Balance at 12/31/2019	<u>\$ 433,289</u>

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience	\$ 16,083	\$ 34,709
Changes in actuarial assumptions	69,736	15,320
Contributions subsequent to the measurement date	<u>2,184</u>	<u>-</u>
Totals	<u>\$ 88,003</u>	<u>\$ 50,029</u>

\$2,184 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>For the Year</u> <u>Ended September 30,</u>	
2021	\$ 11,607
2022	11,607
2023	11,607
2024	1,012
2025	5,485
Thereafter	( 5,528)
Total	<u>\$ 35,790</u>

### **Risk Management**

A public entity risk pool is a cooperative group of governmental entities joining together to finance an exposure, liability or risk. The City participates in the Texas Municipal League Risk Pool, a risk-sharing pool, for property, liability, and workers' compensation, wherein member cities pool risks and funds and share in the costs of losses. Claims against the City are expected to be paid by that public entity risk pool. Should the City become insolvent, or otherwise unable to pay claims, the City may have to pay the claims. There were no significant reductions in insurance coverage or insurance settlements exceeding insurance coverage during each of the past three years.

### **New Accounting Standards**

Significant new accounting standards issued by the Governmental Accounting Standards Board (GASB) not yet implemented by the City include the following:

Statement No. 84, Fiduciary Activities – This Statement improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus is generally on whether a government is controlling the assets of the fiduciary activity and on the beneficiaries with whom a fiduciary relationship exists. This Statement will become effective for the City in fiscal year 2021.

Statement No. 87, Leases – This Statement will improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under the Statement a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resource, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2022.

### **Subsequent Event**

On November 3, 2020 the City issued \$5,745,000 of Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2019. The debt will be used for water utility system improvements, street reconstruction, emergency water protection stream bank stabilization, a covered parking structure, and public safety vehicles.

**REQUIRED  
SUPPLEMENTARY INFORMATION**

**CITY OF MARBLE FALLS, TEXAS**

SCHEDULE OF CHANGES IN NET PENSION LIABILITY  
AND RELATED RATIOS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Plan Year</b>	<u>2014</u>	<u>2015</u>
<b>A. Total pension liability</b>		
Service Cost	\$ 621,054	\$ 691,029
Interest (on the Total Pension Liability)	1,123,420	1,207,848
Changes of benefit terms	-	-
Difference between expected and actual experience	( 12,961)	( 34,356)
Change of assumptions	-	570,455
 Benefit payments, including refunds of employee contributions	 ( 528,946)	 ( 591,804)
Net change in total pension liability	<u>1,202,567</u>	<u>1,843,172</u>
Total pension liability - beginning	<u>16,002,799</u>	<u>17,205,366</u>
Total pension liability - ending (a)	<u>\$ 17,205,366</u>	<u>\$ 19,048,538</u>
 <b>B. Plan fiduciary net position</b>		
Contributions - Employer	\$ 259,082	\$ 258,552
Contributions - Employee	395,979	408,547
Net Investment Income	990,420	27,179
 Benefit payments, including refunds of employee contributions	 ( 528,946)	 ( 591,804)
Administrative Expenses	( 10,340)	( 16,554)
Other	( 850)	( 817)
Net change in plan fiduciary net position	<u>1,105,345</u>	<u>85,103</u>
Plan fiduciary net position - beginning	<u>17,313,215</u>	<u>18,418,560</u>
Plan fiduciary net position - ending (b)	<u>\$ 18,418,560</u>	<u>\$ 18,503,663</u>
 <b>C. Net pension liability/ (asset) - ending (a) - (b)</b>	 <u>\$ ( 1,213,194)</u>	 <u>\$ 544,875</u>
 <b>D. Plan fiduciary net position as a percentage of total pension liability/ (asset)</b>	 107.05%	 97.14%
 <b>E. Covered payroll</b>	 \$ 5,656,837	 \$ 5,836,390
 <b>F. Net position liability/ (asset) as a percentage of covered payroll</b>	 -21.45%	 9.34%

Note: This schedule is intended to show ten years of information. Additional year's information will be displayed as it becomes available.

2016	2017	2018	2019
\$ 750,228	\$ 801,181	\$ 966,975	\$ 1,094,985
1,281,912	1,350,616	1,565,139	1,725,798
-	-	1,941,094	674,344
( 153,085)	( 46,914)	127,487	( 383,270)
-	-	-	59,245
( 864,720)	( 908,687)	( 992,773)	( 1,042,897)
<u>1,014,335</u>	<u>1,196,196</u>	<u>3,607,922</u>	<u>2,128,205</u>
<u>19,048,538</u>	<u>20,062,873</u>	<u>21,259,069</u>	<u>24,866,991</u>
\$ <u>20,062,873</u>	\$ <u>21,259,069</u>	\$ <u>24,866,991</u>	\$ <u>26,995,196</u>
\$ 261,288	\$ 358,624	\$ 381,858	\$ 680,345
420,464	445,101	466,494	508,282
1,250,675	2,710,663	( 662,832)	3,292,624
( 864,720)	( 908,687)	( 992,773)	( 1,042,897)
( 14,123)	( 14,047)	( 12,822)	( 18,630)
( 761)	( 712)	( 670)	( 560)
<u>1,052,823</u>	<u>2,590,942</u>	<u>( 820,745)</u>	<u>3,419,164</u>
<u>18,503,663</u>	<u>19,556,486</u>	<u>22,147,428</u>	<u>21,326,683</u>
\$ <u>19,556,486</u>	\$ <u>22,147,428</u>	\$ <u>21,326,683</u>	\$ <u>24,745,847</u>
\$ <u>506,387</u>	\$ <u>( 888,359)</u>	\$ <u>3,540,308</u>	\$ <u>2,249,349</u>
97.48%	104.18%	85.76%	91.67%
\$ 6,006,626	\$ 6,358,583	\$ 6,664,300	\$ 7,261,173
8.43%	-13.97%	53.12%	30.98%

**CITY OF MARBLE FALLS, TEXAS**

SCHEDULE OF CONTRIBUTIONS TO NET PENSION LIABILITY

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Fiscal Year	2014	2015
Actuarial determined contribution	\$ 248,771	\$ 259,903
Contributions in relation to the actuarially determined contribution	248,771	259,903
Contribution deficiency (excess)	-	-
Covered payroll	5,563,255	5,809,989
Contributions as a percentage of covered payroll	4.47%	4.47%

Note: This schedule is intended to show ten years of information. Additional year's information will be displayed as it becomes available.

**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	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

**Other Information** Increased repeating USC from 75% to 100%

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$ 270,623	\$ 334,622	\$ 383,566	\$ 623,026	\$ 780,674
<u>270,623</u>	<u>334,622</u>	<u>383,566</u>	<u>623,026</u>	<u>780,674</u>
-	-	-	-	-
6,189,840	6,278,742	6,554,197	7,169,326	7,263,861
4.37%	5.33%	5.85%	8.69%	10.75%

**CITY OF MARBLE FALLS, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
TEXAS MUNICIPAL RETIREMENT SYSTEM - SUPPLEMENTAL DEATH BENEFITS FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Plan Year ended December 31,</b>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>
<b>A. Total OPEB liability</b>			
Service Cost	\$ 12,081	\$ 14,661	\$ 15,248
Interest (on the Total OPEB Liability)	11,622	11,880	14,254
Difference between expected and actual experience	-	26,361	( 43,322)
Changes of assumptions	29,063	( 25,108)	71,978
Benefit payments, including refunds of employee contributions	<u>( 2,543)</u>	<u>( 2,666)</u>	<u>( 2,904)</u>
Net change in Total OPEB liability	50,223	25,128	55,254
Total OPEB liability - beginning	<u>302,684</u>	<u>352,907</u>	<u>378,035</u>
Total OPEB liability - ending (a)	<u>352,907</u>	<u>378,035</u>	<u>433,289</u>
<b>B. Covered payroll</b>	\$ 6,358,583	\$ 6,664,200	\$ 7,261,173
<b>C. Total OPEB liability as a percentage of covered payroll</b>	5.55%	5.67%	5.97%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.



**CITY OF MARBLE FALLS, TEXAS**

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY  
AND RELATED RATIOS  
RETIREE INSURANCE BENEFITS PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2020

<b>Plan Year ended December 31,</b>	<u><b>2017</b></u>	<u><b>2018</b></u>	<u><b>2019</b></u>
<b>A. Total OPEB liability</b>			
Service Cost	\$ 14,432	\$ 16,302	\$ 17,770
Interest (on the Total OPEB Liability)	15,102	14,688	16,577
Difference between expected and actual experience	-	( 1,378)	( 31,400)
Changes of assumptions	20,917	( 16,904)	98,195
Benefit payments, including refunds of employee contributions	<u>( 2,472)</u>	<u>( 5,552)</u>	<u>( 15,198)</u>
Net change in Total OPEB liability	47,979	7,156	85,944
Total OPEB liability - beginning	<u>390,395</u>	<u>438,374</u>	<u>445,530</u>
Total OPEB liability - ending (a)	<u>438,374</u>	<u>445,530</u>	<u>531,474</u>
<b>B. Covered employee payroll</b>	\$ 6,107,242	\$ 6,670,055	\$ 7,279,852
<b>C. Total OPEB liability as a percentage of covered employee payroll</b>	7.18%	6.68%	7.30%

Note: This schedule is required to have 10 years of information, but the information prior to 2017 is not available.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

**CITY OF MARBLE FALLS, TEXAS**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Property taxes	\$ 2,583,095	\$ 2,583,095	\$ 2,524,516	\$( 58,579)
Sales taxes	7,384,975	7,384,975	7,464,508	79,533
Franchise taxes	652,184	652,184	554,140	( 98,044)
Mixed beverage taxes	65,100	65,100	44,121	( 20,979)
Fines and forfeitures	234,400	234,400	250,166	15,766
Permits and fees	346,165	346,165	341,699	( 4,466)
Intergovernmental	375,397	477,803	825,929	348,126
Interest on investments	12,050	12,050	20,267	8,217
Other	137,460	137,460	198,429	60,969
Total revenues	<u>11,790,826</u>	<u>11,893,232</u>	<u>12,223,775</u>	<u>330,543</u>
<b>EXPENDITURES</b>				
<b>GENERAL GOVERNMENT</b>				
Administration:				
Personnel services	653,981	653,981	668,993	( 15,012)
Supplies	40,300	40,300	93,721	( 53,421)
Maintenance	41,350	56,350	71,710	( 15,360)
Purchased and contracted services	275,975	275,975	332,354	( 56,379)
Other services and charges	44,598	44,598	14,814	29,784
Total administration	<u>1,056,204</u>	<u>1,071,204</u>	<u>1,181,592</u>	<u>( 110,388)</u>
Finance:				
Personnel services	358,137	358,137	373,627	( 15,490)
Supplies	19,950	19,950	18,003	1,947
Maintenance	33,000	33,000	59,032	( 26,032)
Purchased and contracted services	35,570	35,570	33,989	1,581
Other services and charges	7,000	7,000	16,413	( 9,413)
Total finance	<u>453,657</u>	<u>453,657</u>	<u>501,064</u>	<u>( 47,407)</u>
Human resources:				
Personnel services	125,468	125,468	123,671	1,797
Supplies	6,700	6,700	3,982	2,718
Maintenance	22,200	22,200	20,406	1,794
Purchased and contracted services	6,950	6,950	7,104	( 154)
Other services and charges	45,900	45,900	21,036	24,864
Total human resources	<u>207,218</u>	<u>207,218</u>	<u>176,199</u>	<u>31,019</u>

**CITY OF MARBLE FALLS, TEXAS**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXPENDITURES (Continued)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>GENERAL GOVERNMENT (Continued)</b>				
Mayor and City Council:				
Personnel services	\$ 11,630	\$ 11,630	\$ 11,677	\$( 47)
Other services and charges	12,000	12,000	6,327	5,673
Total Mayor and City Council	<u>23,630</u>	<u>23,630</u>	<u>18,004</u>	<u>5,626</u>
Communication Services:				
Personnel services	735,410	735,410	765,737	( 30,327)
Supplies	22,470	22,470	13,357	9,113
Maintenance	104,618	104,618	151,356	( 46,738)
Purchased and contracted services	12,125	12,125	16,829	( 4,704)
Other services and charges	13,300	13,300	1,303	11,997
Total finance	<u>887,923</u>	<u>887,923</u>	<u>948,582</u>	<u>( 60,659)</u>
Non-departmental:				
Purchased and contracted services	166,617	166,617	166,617	-
Other services and charges	78,000	78,000	75,497	2,503
Total non-departmental	<u>244,617</u>	<u>244,617</u>	<u>242,114</u>	<u>2,503</u>
Total general government	<u>2,873,249</u>	<u>2,888,249</u>	<u>3,067,555</u>	<u>( 179,306)</u>
<b>PUBLIC SAFETY</b>				
Court:				
Personnel services	226,779	226,779	228,261	( 1,482)
Supplies	21,160	21,160	21,228	( 68)
Purchased and contracted services	19,725	19,725	17,959	1,766
Other services and charges	11,225	11,225	1,827	9,398
Total court	<u>278,889</u>	<u>278,889</u>	<u>269,275</u>	<u>9,614</u>
Police department:				
Personnel services	2,476,422	2,476,422	2,411,445	64,977
Supplies	153,200	153,200	99,381	53,819
Maintenance	172,700	172,700	165,148	7,552
Purchased and contracted services	143,397	143,397	149,732	( 6,335)
Other operating	71,850	71,850	38,020	33,830
Total police department	<u>3,017,569</u>	<u>3,017,569</u>	<u>2,863,726</u>	<u>153,843</u>

**CITY OF MARBLE FALLS, TEXAS**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXPENDITURES (Continued)	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>PUBLIC SAFETY (Continued)</b>				
Fire department:				
Personnel services	\$ 1,664,828	\$ 1,664,828	\$ 1,631,120	\$ 33,708
Supplies	151,906	151,906	95,980	55,926
Maintenance	88,277	118,277	105,688	12,589
Purchased and contracted services	59,530	59,530	60,480	( 950)
Other operating	41,850	41,850	31,278	10,572
Total fire department	<u>2,006,391</u>	<u>2,036,391</u>	<u>1,924,546</u>	<u>111,845</u>
Engineering department:				
Personnel services	122,456	122,456	120,262	2,194
Supplies	4,900	4,900	2,075	2,825
Maintenance	8,700	8,700	6,449	2,251
Purchased and contracted services	33,000	33,000	461,782	( 428,782)
Other operating	4,250	4,250	3,442	808
Total engineering department	<u>173,306</u>	<u>173,306</u>	<u>594,010</u>	<u>( 420,704)</u>
Code enforcement:				
Personnel services	677,089	677,089	623,629	53,460
Supplies	37,775	37,775	35,549	2,226
Repairs and maintenance	26,680	26,680	23,980	2,700
Purchased and contracted services	27,632	27,632	23,845	3,787
Other services and charges	19,500	19,500	7,455	12,045
Total code enforcement	<u>788,676</u>	<u>788,676</u>	<u>714,458</u>	<u>74,218</u>
Total public safety	<u>6,091,525</u>	<u>6,121,525</u>	<u>6,366,015</u>	<u>( 244,490)</u>
<b>PUBLIC WORKS</b>				
Streets:				
Personnel services	801,137	801,137	704,626	96,511
Supplies	51,600	51,600	43,392	8,208
Maintenance	503,500	538,500	502,859	35,641
Purchased and contracted services	121,740	121,740	149,086	( 27,346)
Other services and charges	6,100	6,100	2,690	3,410
Total streets	<u>1,484,077</u>	<u>1,519,077</u>	<u>1,402,653</u>	<u>116,424</u>
Total public works	<u>1,484,077</u>	<u>1,519,077</u>	<u>1,402,653</u>	<u>116,424</u>

**CITY OF MARBLE FALLS, TEXAS**

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (BUDGETARY BASIS)

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES (Continued)</b>				
<b>CULTURE AND RECREATION</b>				
Parks and recreation:				
Personnel services	\$ 737,550	\$ 737,550	\$ 678,576	\$ 58,974
Supplies	45,100	45,100	40,276	4,824
Maintenance	150,000	187,300	144,129	43,171
Purchased and contracted services	136,100	136,100	102,281	33,819
Other services and charges	42,100	50,100	34,553	15,547
Total parks and recreation	<u>1,110,850</u>	<u>1,156,150</u>	<u>999,815</u>	<u>156,335</u>
Cemetery:				
Maintenance	10,000	10,000	4,112	5,888
Purchased and contracted services	3,100	3,100	477	2,623
Other services and charges	100	100	6	94
Total cemetery	<u>13,200</u>	<u>13,200</u>	<u>4,595</u>	<u>8,605</u>
Total culture and recreation	<u>1,124,050</u>	<u>1,169,350</u>	<u>1,004,410</u>	<u>164,940</u>
<b>CAPITAL OUTLAY</b>	<u>1,387,312</u>	<u>1,387,312</u>	<u>1,435,615</u>	<u>( 48,303)</u>
<b>DEBT SERVICE</b>				
Principal	144,197	144,197	261,410	( 117,213)
Interest and fiscal charges	14,220	14,220	36,554	( 22,334)
Total debt service	<u>158,417</u>	<u>158,417</u>	<u>297,964</u>	<u>( 139,547)</u>
Total expenditures	<u>13,118,630</u>	<u>13,243,930</u>	<u>13,574,212</u>	<u>( 330,282)</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>( 1,327,804)</u>	<u>( 1,350,698)</u>	<u>( 1,350,437)</u>	<u>261</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from lease	-	-	532,272	
Transfers in	1,083,500	1,127,300	1,152,015	24,715
Transfers out	( 30,000)	( 30,000)	( 588,383)	( 558,383)
Proceeds from insurance	5,000	55,325	36,702	( 18,623)
Proceeds from sale of capital assets	17,000	95,266	89,986	( 5,280)
Total other financing sources	<u>1,075,500</u>	<u>1,247,891</u>	<u>1,222,592</u>	<u>( 25,299)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 252,304)</u>	<u>( 102,807)</u>	<u>( 127,845)</u>	<u>( 25,038)</u>
<b>FUND BALANCE, BEGINNING</b>	<u>2,192,462</u>	<u>2,192,462</u>	<u>2,192,462</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 1,940,158</u>	<u>\$ 2,089,655</u>	<u>\$ 2,064,617</u>	<u>\$ ( 25,038)</u>

**CITY OF MARBLE FALLS, TEXAS**

SCHEDULE OF REVENUES, EXPENDITURES AND  
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

ECONOMIC DEVELOPMENT CORPORATION FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Sales taxes	\$ 2,190,857	\$ 2,378,945	\$ 2,488,135	\$ 109,190
Permits and fees	55,000	55,000	37,038	( 17,962)
Intergovernmental	40,000	40,000	24,760	( 15,240)
Interest on investments	13,300	13,300	6,568	( 6,732)
Total revenues	<u>2,299,157</u>	<u>2,487,245</u>	<u>2,556,501</u>	<u>69,256</u>
<b>EXPENDITURES</b>				
Current:				
Personnel services	249,400	255,900	260,259	( 4,359)
Supplies	4,500	4,500	255	4,245
Maintenance	26,500	26,500	20,949	5,551
Purchased and contracted services	514,010	514,010	388,031	125,979
Other services and charges	78,000	78,000	52,283	25,717
Capital outlay	620,000	1,020,000	303,209	716,791
Debt service				
Principal	535,000	535,000	535,000	-
Interest	381,176	381,176	381,376	( 200)
Total expenditures	<u>2,408,586</u>	<u>2,815,086</u>	<u>1,941,362</u>	<u>873,724</u>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<u>( 109,429)</u>	<u>( 327,841)</u>	<u>615,139</u>	<u>942,980</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of capital assets	190,765	362,150	294,592	( 67,558)
Transfers out	<u>( 165,000)</u>	<u>( 165,000)</u>	<u>( 828,101)</u>	<u>( 663,101)</u>
Total other financing sources (uses)	<u>25,765</u>	<u>197,150</u>	<u>( 533,509)</u>	<u>( 730,659)</u>
<b>NET CHANGE IN FUND BALANCE</b>	<u>( 83,664)</u>	<u>( 130,691)</u>	<u>81,630</u>	<u>212,321</u>
<b>FUND BALANCE, BEGINNING</b>	<u>2,333,767</u>	<u>2,333,767</u>	<u>2,333,767</u>	<u>-</u>
<b>FUND BALANCE, ENDING</b>	<u>\$ 2,250,103</u>	<u>\$ 2,203,076</u>	<u>\$ 2,415,397</u>	<u>\$ 212,321</u>

**CITY OF MARBLE FALLS, TEXAS**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED SEPTEMBER 30, 2020

**Budgetary Information**

Annual appropriated budgets are legally adopted for the General Fund, Hotel/Motel Tax, Police Forfeiture, Economic Development Corporation, and Debt Service Funds on a basis consistent with generally accepted accounting principles. An annual non-appropriated budget is adopted for the City's Water and Utility Enterprise Fund on a non-GAAP basis for managerial control. Project length budgets are adopted for the Hotel Conference Center Capital Project Fund, the Parks Improvement Capital Project Fund, the General Improvements Capital Projects Fund, the Trunked Radio System Fund, the Impact Fee Fund, the Building Security Fund, and the CDBG 2016 Grant Fund. These funds are amended on an annual basis to reflect the uncompleted portion of the projects. These funds adopt their budget based on individual projects that cross fund years. An annual comparison does not fairly represent the budgetary results for multiple year projects.

The original budget is adopted by the City Council prior to the beginning of the fiscal year. Amendments are made during the year on approval by the City Council. Unused budget appropriations lapse at year-end unless carried forward to the next year by Council action. The final budget is legally adopted by the Council prior to September 30 of each year.

The City Council has the authority to transfer appropriation balances from one expenditure category to another within a department. Although costs are monitored by expenditure category, the legal level of control (level at which expenditures may not exceed budget) is the fund level. The reported budgetary data has been revised for amendments authorized during the year.

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**APPENDIX F**  
**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER:

Policy No: -N

BONDS: \$ in aggregate principal amount of

Effective Date:

Premium: \$

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

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

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

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

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

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

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

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

ASSURED GUARANTY MUNICIPAL CORP.

By \_\_\_\_\_  
Authorized Officer

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



Financial Advisory Services  
Provided By:

