OFFICIAL STATEMENT DATED NOVEMBER 9, 2021

U.S. Capital Advisors

NEW ISSUE **RATING:** S&P Global Ratings "AAA/Stable"
BOOK-ENTRY-ONLY (See "OTHER INFORMATION - Rating" herein)

IN THE OPINION OF BOND COUNSEL, UNDER EXISTING LAW, INTEREST ON THE BONDS IS NOT EXCLUDABLE FROM GROSS INCOME FOR FEDERAL TAX PURPOSES. SEE "TAX MATTERS" HEREIN FOR A DISCUSSION OF THE OPINION OF BOND COUNSEL.

City of Bellaire

$7,805,000
CITY OF BELLAIRE, TEXAS
(A political subdivision of the State of Texas located in Harris County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021A

Dated Date: December 1, 2021 **Due: February 15 — See page ii**
(Interest accrues from the date of delivery)

The City of Bellaire, Texas (the "City") is issuing its General Obligation Refunding Bonds, Taxable Series 2021A (the "Bonds"). The Bonds are being issued by the City pursuant to the applicable provisions of the Texas Constitution, the general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), the ordinance authorizing the issuance of the Bonds adopted on October 4, 2021 by the City Council of the City (the "City Council") (the "Bond Ordinance"), and the City's Home Rule Charter. As permitted by the provisions of Chapter 1207, the City Council, in the Bond Ordinance, delegated the authority to certain City officials to execute a pricing certificate establishing the final terms of the sale for the Bonds (the "Pricing Certificate", and together with the Bond Ordinance, the "Ordinance").

Interest on the Bonds will accrue from the initial Date of Delivery (defined below) to the Initial Purchaser (defined below) and is payable commencing on February 15, 2022, and each August 15 and February 15 thereafter, until the earlier of redemption or maturity. Interest will be computed on the basis of a 360-day year of twelve 30-day months. The Bonds are direct obligations of the City and are payable from and secured by a continuing direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located within the City. See "THE BONDS – Sources of Payment" herein.

The Bonds will be issued in fully-registered form and, when issued, will be registered in the name of Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), as the registered owner, pursuant to the book-entry-only system described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Proceeds from the sale of the Bonds will be used to pay for (i) refunding a portion of the City's outstanding obligations described in Schedule I hereto (the "Refunded Obligations") in order to achieve debt service savings, and (ii) the costs of issuing the Bonds. See "PURPOSE AND PLAN OF FINANCE – The Bonds" herein.

SEE PAGE ii FOR MATURITY SCHEDULE

The Bonds are subject to optional redemption prior to their scheduled maturities as described herein. See "THE BONDS – Optional Redemption" herein. Additionally, the Bonds designated as term Bonds (the "Term Bonds"), are subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.

The Bonds are offered for delivery, when, as and if issued by the City and received by the Initial Purchaser listed below (the "Initial Purchaser"), subject to the approving opinion of the Attorney General of the State of Texas and Johnson Petrov LLP, Houston, Texas, Bond Counsel for the City. See "LEGAL MATTERS" herein and "Form of Opinion of Bond Counsel" attached hereto as Appendix D. It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 9, 2021 (the "Date of Delivery").

SAMCO CAPITAL MARKETS

MATURITY SCHEDULE

$7,805,000
CITY OF BELLAIRE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021A
CUSIP Prefix [c]: 078276

Serial Bonds

Due Feb. 15	Principal*	Interest	Yield [b]	CUSIP No. Suffix [c]
2022	$ 85,000	4.250%	0.10%	BF8
2023	15,000	4.250%	0.28%	BG6
2024	375,000	4.250%	0.58%	BH4
2025	390,000	4.250%	0.86%	BJ0
2026	410,000	4.250%	1.10%	BK7
2027	425,000	4.250%	1.25%	BL5
2028	445,000	4.250%	1.40%	BM3
2029	465,000	4.250%	1.50%	BN1

Term Bonds

Due Feb. 15 [a][d]	Principal	Interest Rate	Yield [b]	CUSIP No. Suffix [c]
2031	$ 965,000	1.600%	1.600%	BQ4
2033	995,000	1.750%	1.750%	BS0
2035	1,035,000	1.900%	1.900%	BU5
2037	1,075,000	2.100%	2.100%	BW1
2039	1,125,000	2.250%	2.250%	BY7

(Interest accrues from date of delivery)

(a) The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof on February 15, 2030, or any date thereafter at par plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption" herein.

(b) The initial reoffering prices or yields of the Bonds are furnished by the Initial Purchaser (as defined herein) and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time. Yields on premium Bonds are calculated to the earlier of maturity or the first optional call date.

(c) 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 Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Global Services. None of the Initial Purchaser, the City, nor the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(d) Subject to mandatory sinking fund redemption as described herein. See "THE BONDS – Mandatory Sinking Fund Redemption."

CITY OFFICIALS, ADMINISTRATION AND CONSULTANTS

The City of Bellaire, Texas (the "City") was incorporated under the laws of the State of Texas (the "State") in 1918. The City has operated under a "Home Rule Charter" which provides for a "Council Manager" form of government since January 15, 1949. The City Council is comprised of a Mayor and six council members, all of whom are elected at large. The Mayor is elected for regular terms of two years, and the council members are elected for regular terms of four years. The Mayor shall not serve more than four consecutive terms in that position and no councilmember shall serve more than two consecutive terms as a councilmember.

Elected Officials

Council Members	Position	Term Expires	Occupation
Andrew S. Friedberg	Mayor	2022	Attorney
Neil Verma	Council Member	2022	Attorney
Catherine Lewis	Council Member	2024	Retired
Gus E. Pappas	Mayor Pro-Tem	2022	Attorney
Nathan Wesely	Council Member	2024	Attorney
Michael Fife	Council Member	2022	Retired
Jim Hotze	Council Member	2024	Small Business Owner

Appointed Positions

Name	Position	Length of Service
Brant Gary	Interim City Manager	1 Year
Terrence Beaman	Chief Financial Officer	5 Years
Tracy L. Dutton	City Clerk	24 Years
Alan Petrov	City Attorney	25 Years

Consultants

Bond Counsel ....Johnson Petrov LLP
Houston, Texas

Certified Public Accountants.. Whitely Penn LLP
Houston, Texas

Municipal Advisor... USCA Municipal Advisors, LLC
Houston, Texas

For Additional Information, Contact:

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Chief Financial Officer
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Mr. James Gilley, Jr.
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USCA Municipal Advisors, LLC
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Austin, Texas 78701
Telephone: (512) 813-1110
jfgilley@uscallc.com

USE OF INFORMATION IN OFFICIAL STATEMENT

No broker, dealer, sales representative or any other person has been authorized by the City, the Financial Advisor, or the Initial Purchaser to give any information or to make any representation other than as contained in this Official Statement in connection with the offering described in it and, if given or made, such other information or representation must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy all securities other than those described on the inside cover page, nor shall there be an offer to sell, solicitation of an offer to buy or sale of such securities by any persons in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Official Statement is delivered in connection with the sale of securities referred to herein and may not be reproduced or used, in whole or in part, for any other purposes.

All the summaries of the statutes, ordinances, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the City.

Certain information set forth herein has been obtained from the City 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 Initial Purchaser.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which it is unlawful to make such offer, solicitation or sale. No dealer, salesperson or other person has been authorized by the City to give any information or to make any representation other than those contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, or any other person. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the matters described herein since the date hereof.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after such Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including to dealers who may sell the Bonds into investment accounts.

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

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

References to website 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 websites and the information of links contained herein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in the Rule.

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OFFICIAL STATEMENT SUMMARY

This Official Statement Summary is subject in all respects to the more complete information contained therein. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this Official Statement Summary from the Official Statement or otherwise to use same without the entire Official Statement. Certain defined terms used in this Official Statement Summary are defined elsewhere in this Official Statement.

The Issuer	City of Bellaire, Texas.
The Bonds	$7,805,000 City of Bellaire, Texas General Obligation Refunding Bonds, Taxable Series 2021A (the "Bonds"). The Bonds are being issued in the principal amounts, maturities, and at the rates per annum, set forth on page ii hereof.
Interest	The Bonds are dated December 1, 2021. Interest will accrue from the initial date of delivery of the Bonds to the Initial Purchaser at the rates indicated on page ii hereof, with interest payable on February 15, 2022, and on each August 15 and February 15 thereafter until the earlier of redemption or maturity. Interest will be computed on the basis on a 360-day year consisting of twelve 30-day months. The Bonds will be issued only in fully-registered form in integral multiples of $5,000 principal amount. See "THE BONDS – Description" herein.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.
Authority for Issuance	The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207 of the Texas Government Code, as amended ("Chapter 1207"), an ordinance adopted by the City Council of the City (the "City Council") on October 4, 2021 (the "Ordinance") and the City's Home Rule Charter. As permitted by the provisions of Chapter 1207, the City Council, in the Ordinance, delegated the authority to certain City officials to execute a pricing certificate (the "Pricing Certificate") establishing the final terms of the sale for the Bonds.
Optional Redemption	The City reserves the right, at its option, to redeem the Bonds having stated maturities on or after February 15, 2031, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030 or any day thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. See "THE BONDS – Optional Redemption" herein.
Mandatory Sinking Fund Redemption	A portion of the Bonds have been designated as term Bonds maturing February 15, 2031, February 15, 2033, February 15, 2035, February 15, 2037 and February 15, 2039. The Term Bonds are subject to mandatory sinking fund redemption as provided herein. See "THE BONDS – Mandatory Sinking Fund Redemption" herein.
Security for the Bonds	Principal of and interest on the Bonds are payable from the receipts of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law against all taxable property located within the City. The Bonds are direct obligations of the City and not obligations of the State, Harris County or any other political subdivision. See "The BONDS – Sources of Payment" herein.
Use of Proceeds	Proceeds from the sale of the Bonds will be used for (i) refunding a portion of the City's outstanding obligations as described in Schedule I attached hereto in order to achieve debt service savings, and (ii) paying the costs of issuing the Bonds. See "PURPOSE AND PLAN OF FINANCE – Sources and Uses" herein.
Book-Entry Only System	The Bonds are initially registered and delivered only to Cede & Co., the nominee of DTC, pursuant to the book-entry-only system. No physical delivery of the Bonds will be made to the beneficiary thereof. Principal of and interest on the Bonds will be paid to

Cede & Co., which will distribute such payment to the participating members of DTC for remittance to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

Municipal Bond Rating	S&P Global Ratings, a division of S&P Global Inc. has assigned its underlying municipal bond rating of “AAA/Stable” to the Bonds. See “OTHER INFORMATION - Rating” herein.
No Tax Exemption	Interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. See “TAX MATTERS” herein.
Delivery	It is expected that the Bonds will be available for delivery through the facilities of DTC on or about December 9, 2021.
Legality	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 Johnson Petrov LLP, Houston, Texas, Bond Counsel.

SELECTED FINANCIAL INFORMATION

2021 Certified Value [a]		$ 4,973,994,898
2019 Estimated Population		18,957
Outstanding Debt as of November 1, 2021		**Par Amount**
Outstanding Bonds		$ 104,425,000
Plus: The Bonds		7,805,000
Less: Refunded Obligations		(7,595,000)
Total General Obligation Debt		$ 104,635,000
Direct Debt Ratio [b]	**2019 Estimated Per Capita**	**Percent of 2021 Taxable Assessed Valuation**
Direct Debt Ratio	$ 5,519.60	2.10%
Annual Requirements [b]		
Total Average Annual Debt Service		$ 5,748,214
Total Maximum Annual Debt Service		$ 9,598,791
Net Average Annual Debt Service [c]		$ 4,254,292
Net Maximum Annual Debt Service [c]		$ 7,376,927
Fund Balances		**9/30/2020**
General Fund		$ 5,274,372
Debt Service Fund		$ 562,679
Enterprise Fund - Total Net Position		$ 54,846,669
2021 Proposed Tax Rate		
General Fund		$ 0.2959
Debt Service Fund		0.1514
Total Tax Rate		$ 0.4473

(a) Source: Texas Municipal Advisory Council of Texas.

(b) Includes the Bonds and excludes the Refunded Obligations.

(c) The Enterprise Fund transfers a discretionary amount to the Debt Service Fund to pay a portion of the principal and interest in general obligation debt used to finance capital improvements used for the enterprise activities. Net Debt reflects such transfer.

OFFICIAL STATEMENT

$7,805,000
CITY OF BELLAIRE, TEXAS
(A political subdivision of the State of Texas located in Harris County, Texas)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021A

INTRODUCTORY STATEMENT

This Official Statement is provided to furnish certain information regarding the issuance by the City of Bellaire, Texas (the "City") of its $7,805,000 General Obligation Refunding Bonds, Taxable Series 2021A (the "Bonds").

Capitalized terms used in the Official Statement have the same meanings assigned to such terms in the Bond Ordinance (the "Bond Ordinance") adopted by the City Council of the City (the "City Council"), the governing body of the City, on October 4, 2021, authorizing the issuance of the Bonds, except as otherwise indicated herein.

The Bonds are being issued by the City pursuant to the applicable provisions of the Texas Constitution, the general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and the Bond Ordinance. As permitted by the provisions of Chapter 1207, the City Council, in the Bond Ordinance, delegated the authority to certain City officials to execute a pricing certificate (the "Pricing Certificate") establishing the final terms of the sale for the Bonds (the Bond Ordinance and the Pricing Certificate are jointly referred to herein as the "Ordinance").

The Bonds are issued for the purposes described below and are payable from the receipts of an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property located with the City. See "THE BONDS – Sources of Payment" herein.

The City's audited general purpose financial statements for the fiscal year ended September 30, 2020, which are set forth in Appendix C attached hereto, present information on the general financial condition of the City at the dates and for the periods described therein.

PURPOSE AND PLAN OF FINANCE

The Bonds

Proceeds from the sale of the Bonds will be used for (i) refunding all or a portion of the City's outstanding obligations described in Schedule I hereto (the "Refunded Obligations") in order to achieve debt service savings, and (ii) paying the costs of issuing the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption dates or maturity dates from funds to be deposited with Zions Bancorporation, National Association, Amegy Bank Division, Houston Texas (the "Escrow Agent") pursuant to an escrow agreement (the "Escrow Agreement") between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds along with other lawfully available funds of the City, if any, with the Escrow Agent in the amount necessary to accomplish the discharge and final payment of the Refunded Obligations. Such funds will be held by the Escrow Agent in an escrow account (the "Escrow Fund"), containing sufficient funds to accomplish the discharge and final payment of the Refunded Obligations. The funds held by the Escrow Agent in the Escrow Fund will be used to purchase a portfolio of securities authorized under Section 1207.062, Texas Government Code (the "Escrowed Securities").

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest of the Refunded Obligations.

Public Finance Partners LLC (the "Verification Agent") will verify at the time of delivery of the Bonds to the Initial Purchaser, that the Escrowed Securities deposited under the Escrow Agreement will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund established under the Escrow Agreement, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations on their respective scheduled redemption dates. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the debt service on the Bonds. See "VERIFICATION OF MATHEMATICAL COMPUTATIONS."

By the deposit of the Escrowed Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of the Refunded Obligations pursuant to the terms of Chapter 1207, Texas Government Code, as amended, and the orders authorizing the issuance of the Refunded Obligations. As a result of such defeasance, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and/or cash held for such purpose by the Escrow Agent, and the Refunded Obligations will not be deemed as being outstanding obligations of the City.

It is the opinion of Bond Counsel that as a result of such deposit and in reliance upon the report of Verification Agent, firm banking and financial arrangements will have been made for the discharge and final payment of the Refunded Obligations, and such Refunded Obligations will be deemed to be fully paid and no longer outstanding except for the purpose of being paid from funds provided therefor, in the Escrow Agreement.

Sources and Uses

The following table sets forth the estimated sources and use of funds associated with the proceeds from the sale of the Bonds.

Sources of Funds:	
Par Amount	$7,805,000.00
Premium	350,658.80
Total	$8,155,658.80
Uses of Funds:	
Deposit to the Escrow Fund	$7,972,760.32
Underwriter's Discount	57,797.54
Issuance Costs [(a)]	125,100.94
Total	$8,155,658.80

(a) Includes professional costs, Attorney General fee, rating agency fees, fees of the Paying Agent/Registrar, rounding amount and other costs of issuance.

General

The following is a description of some of the terms and conditions of the Bonds, which description is qualified in its entirety by reference to the Ordinance. Copies of the Ordinance may be obtained upon request to the City. Certain terms not defined elsewhere in the Official Statement are defined in the Ordinance.

Description

The Bonds are dated December 1, 2021. Interest will accrue from the initial date of delivery to the Initial Purchaser and will bear interest from such date as indicated on the page ii hereof. Interest is payable on February 15, 2022, and on each August 15 and February 15 thereafter, until the earlier of redemption or maturity.

The Bonds will be issued in fully-registered form in integral multiples of $5,000 of principal amount, for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC"), pursuant to the book-entry-only system, described herein. See "THE BONDS - Book Entry-Only System" herein. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Paying Agent/Registrar") to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS – Book-Entry-Only System" herein.

Authority for Issuance

The Bonds are being issued pursuant to the applicable provisions of the Texas Constitution and of the laws of the State, including, particularly, Chapter 1207, Texas Government Code, the City's home rule charter and the Ordinance.

Sources of Payment

The Bonds are payable as to principal and interest from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City. See "TAX INFORMATION - Tax Rate Limitation" herein. Pursuant to the provisions of the Bond Ordinance, the City Council, as the governing body of the City, has levied and agreed to assess and collect an annual ad valorem tax sufficient together with other funds available for such purpose to pay principal and interest on the Bonds when due. Each year the City Council will make a determination of the taxes necessary to be collected to pay interest as it accrues and principal as it matures on the Bonds, and will formally assess and collect such tax for that year. The receipts from such tax levy are to be credited to a separate fund to be used solely for the payment of the principal of and interest on the Bonds.

Optional Redemption

The City reserves the right, at its option, to redeem Bonds having stated maturities on, or after February 15, 2031, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all the Bonds of a stated maturity are to be redeemed, the Bonds, or portions thereof, within such maturity to be redeemed shall be selected by lot or other customary method.

Mandatory Sinking Fund Redemption

The Term Bonds are subject to scheduled mandatory redemption and will be redeemed by the City, in part at a price equal to the principal amount thereof, without premium, plus accrued interest to the redemption date, out of moneys available for such purchase in the Debt Service Fund, on the dates and in the respective principal amounts set forth below.

$965,000 Term Bonds Maturing on February 15, 2031

Mandatory Redemption Date	Principal Amount
February 15, 2030	$ 480,000
February 15, 2031 (stated maturity)	$ 485,000

$995,000 Term Bonds Maturing on February 15, 2033

Mandatory Redemption Date	Principal Amount
February 15, 2032	$ 495,000
February 15, 2033 (stated maturity)	$ 500,000

$1,035,000 Term Bonds Maturing on February 15, 2035

Mandatory Redemption Date	Principal Amount
February 15, 2034	$ 515,000
February 15, 2035 (stated maturity)	$ 520,000

$1,075,000 Term Bonds Maturing on February 15, 2037

Mandatory Redemption Date	Principal Amount
February 15, 2036	$ 530,000
February 15, 2037 (stated maturity)	$ 545,000

$1,125,000 Term Bonds Maturing on February 15, 2039		
Mandatory Redemption Date		Principal Amount
February 15, 2038	$	555,000
February 15, 2039 (stated maturity)	$	570,000

Prior to each scheduled mandatory redemption date, the Paying Agent/Registrar shall select for redemption by lot, or by any other customary method that results in a random selection, a principal amount of Term Bonds equal to the aggregate principal amount of such Term Bonds to be redeemed. The principal amount of the Term Bonds required to be redeemed on any mandatory sinking fund redemption date shall be reduced, at the option of the City, by the principal amount of any Term Bonds which, at least 45 days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation, or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Ordinance and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption

The Paying Agent/Registrar shall give notice of any redemption of Bonds by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Bond (or part thereof) to be redeemed, at the address shown on the registration books at the close of business on the Business Day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Bonds are to be surrendered for payment, and, if less than all the Bonds outstanding are to be redeemed, an identification of the Bonds or portions thereof to be redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Bonds under "Optional Redemption" herein 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 City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of the City to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and 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.

Book-Entry-Only System

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company, New York, New York ("DTC"), while the Bonds are registered in its nominee name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Initial Purchaser believe the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payment of debt service on the Bonds, or redemption or other notices to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Bonds), or redemption or other notices, to the beneficial owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 a 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 registered 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+." The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, 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 Bonds. 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 a 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 registered 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 companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchasers 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 Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their Purchaser. Beneficial Owners are, however, expected to receive written confirmation providing details of the transaction, as well as periodic statements of their holdings from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 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 Paying Agent/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 an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest 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 City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar. Disbursement of such payments to Direct Participants will be the responsibility of DTC, and reimbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered. Discontinuance by the City of use of the system of book-entry transfers through DTC may require compliance with DTC operational arrangements.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of the system of book-entry transfers by the City may require the consent of Participants under DTC's Operational Arrangements. In that event, Bond Bonds will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City, the Financial Advisor nor the Initial Purchaser takes responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the book-entry-only system is discontinued by DTC or the use of the book-entry-only system is discontinued by the City, printed Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS – Transfers and Exchanges" below.

Paying Agent/Registrar

The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. In the Bond Ordinance, the City retains the right to replace the Paying Agent/Registrar with respect to the Bonds. The Paying Agent/Registrar may be removed from its duties at any time, but no such removal is effective until a successor has accepted the duties of the Paying Agent/Registrar by written instrument. The City covenants to maintain and provide a Paying Agent/Registrar for the Bonds until the Bonds are duly paid. Any successor Paying Agent/Registrar shall be a bank, trust company, financial institution or other entity qualified and authorized to serve in such capacity and perform the duties and services of Paying Agent/Registrar.

Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner affected by the change, which notice shall give the address of the new Paying Agent/Registrar.

Ownership

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bonds for the purposes of making payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Bond is overdue. Neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Bond in accordance with the Bond Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar for such Bond to the extent of the sums paid.

Transfers and Exchanges

In the event the book-entry-only system should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the Registered Owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the designated office or the Paying Agent/Registrar, or sent by United States mail, first class postage prepaid, to the new registered owner or his designee.

The ownership of a Bond may be transferred only upon the presentation and surrender of the Bond to the Paying Agent/Registrar at the Designated Payment/Transfer Office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Bond shall be effective until entered in the Register. The Bonds shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Bond or Bonds of the same maturity and interest rate and in any Authorized Denominations, and in an aggregate principal amount equal to the unpaid principal amount of the Bonds presented for exchange. The Paying Agent/Registrar is hereby authorized to authenticate and deliver Bonds transferred or exchanged in accordance with this Section.

A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the Designated Payment/Transfer, or sent by United States mail, first class, postage prepaid, to the Owner or his designee. Each Bond delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of this Ordinance to the same extent as the Bond or Bonds in lieu of which such Bond is delivered.

No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Bonds. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Bond.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Bond called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Bond.

Record Date for Interest Payment

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

Replacement Bonds

If any Bond is mutilated, destroyed, stolen or lost, a new Bond in the same principal amount as the Bond so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Bond, such new Bond will be delivered only upon presentation and surrender of such mutilated Bond to the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Bond issued in lieu of and in substitution for a Bond which has been destroyed, stolen or lost, such new Bond will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Bond, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the City, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

Remedies In The Event of Default

The Ordinance does not establish specific events of default with respect to the Bonds or any remedies to a registered owner if the City defaults on the payment of the principal of or interest on any Bonds. Further, the Ordinance does not provide for the appointment of a trustee to protect and enforce the interest of the registered owners upon the occurrence of such a default. If a registered owner of a Bonds does not receive payment of principal or interest when due, the registered owner may seek a writ of mandamus from a court of competent jurisdiction requiring the City to levy and collect taxes. The mandamus remedy, however, may be impractical and difficult to enforce. There is no provision for the acceleration of maturity of principal of a Bond in the event of a default. A registered owner of a Bonds could file suit against the City if a default occurred in the payment of principal of or interest on any such Bonds; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity as discussed below, and any judgment could not be satisfied by execution against any property of the City.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3rd 325 (Tex. 2006), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, registered owners may not be able to bring such a suit against the City for breach of the Bonds or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. *Wasson Interests, Ltd. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

The City is also 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 Bond holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court), and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

Defeasance

The Ordinance provides for the defeasance of the Bonds in any manner now or hereafter provided by law.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board, whose members are appointed by the Board of Directors of the Appraisal District. Such appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates.

Issuer and Taxpayer Remedies

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

State Mandated Homestead Exemptions for Veterans

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty.

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of the appraised value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the exemption and at what percentage or dollar amount, as applicable.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport Exemptions

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit during the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible, personal property used for the production of income, (ii) improvements to real property, or (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code. Section 11.35 of the Property Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. During the 2021 legislative session, the 87th Texas Legislature amended Section 11.35 of the Property Tax Code to clarify that "damage" means physical damage.

Tax Increment Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for public improvements or projects within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

Tax Abatement Agreements

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2021 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

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

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

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

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

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

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

Any city located at least partly within an area declared a disaster area by the Governor of the State or the President of the United States and at least one person is granted an exemption under Section 11.35 of the Property Tax Code for property within the city during the current year may calculate its "voter-approval tax rate" using a 1.08 multiplier, instead of 1.035, until the earlier of (i) the second tax year in which such city's total taxable appraised value exceeds the taxable appraised value on January 1 of the year the disaster occurred, or (ii) the third tax year after the tax year in which the disaster occurred.

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

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

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

Levy and Collection of Taxes

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

Debt Tax Rate Limitations

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

The City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Property Tax Code

The City does grant a local option exemption of the appraised value of all residence homesteads.

The City does grant an exemption of $135,000 of the appraised value on the residence homestead of persons 65 years of age or older.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not tax Freeport Property.

The City has not taken action to tax Goods-in-Transit.

The City does not participate in a TIRZ.

Municipal Sales Tax Collections

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Bonds.

SELECTED ISSUER INFORMATION

Capital Improvement Plan

On November 8, 2005, voters approved two separate bond referenda for $50 million and an additional pay-as-you-go of $5 million to be spent over a ten-year period on infrastructure and facility improvements.

On November 5, 2013, the City voters authorized $16.5 million of bonds for the purposes of providing funds for the construction of new City facilities (city hall/civic center and police/municipal court buildings) and improvements to Evelyn's Park and Nature Discovery Center.

On November 8, 2016, the voters of the City approved three separate bond propositions collectively referred to as "Bonds for Better Bellaire 2016" totaling $53.98 million. Of that, $24 million was authorized for streets, drainage and sidewalk improvements, $5.6 million was authorized for the construction of municipal buildings, including a city hall/civic center and police/courts building and $24.38 million was authorized for water and wastewater improvements.

Authorized but Unissued General Obligation Debt

The City has $6 million authorized but unissued general obligation debt remaining.

Anticipated Issuance of Additional Debt

The City anticipates the issuance of additional debt in the amount of $6 million in the next two years.

Other Obligations

The City has entered into a capital lease oblgation. See "Note 5 – Long-term Liabilities – Capital Lease Obligation – City of Bellaire, Texas Comprehensive Annual Financial Report, Fiscal Year End September 30, 2020."

FYE 9/30	Governmental Activities
2021	$ 77,604
2022	77,604
2023	77,604
2024	77,604
2025-2028	308,388
Total	$ 618,804
Less Interest	(71,182)
Present Value	$ 547,622

Employee Retirement System and OPEB Liability

Employee Retirement System. The City participates in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS provides retirement, disability, and death benefits and all eligible employees are required to participate. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. See "Selected Data from the Comprehensive Annual Financial Report, City of Bellaire, Texas, Fiscal Year Ended September 30, 2020, Note 9 – Employee Retirement System."

Post-Employment Benefits. The City administers a single-employer defined benefit other post-employment benefits (OPEB) plan that will allow the retiree to pay the premium for continuation of medical and dental insurance coverage. Retirees pay 100% of the premium, at the lower rate by participating in the City's plan as opposed to individual purchased insurance. See "Selected Data from the Comprehensive Annual Financial Report, City of Bellaire, Texas, Fiscal Year Ended September 30, 2020 Note - 10 Other Post-Employment Benefits" attached hereto as Appendix C for a detailed discussion regarding the Employee Retirement System.

Risk From Weather Events

All of the United States Gulf Coast, including the City, is subject to hurricanes, tropical storms and other weather events that can cause loss of life and damage to property through strong winds, storm surges, flooding and heavy rains. In the event that weather events cause a substantial loss of taxable assessed valuation in the City for a prolonged period, the ability of the City to pay its debt obligations, including the Bonds, could be impacted.

On August 25, 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall on the Texas coast before stalling over Houston-Galveston region (the "Region") and producing significant flooding. Many residences and commercial properties in the Region sustained damage.

As a result of Hurricane Harvey, the City closed City Hall for a week to assess damage citywide and respond to Bellaire residents in need of assistance.

Total expenditures of the City as a result of Hurricane Harvey are approximately $3.23 million. Debris removal in the amount of approximately $1.7 million is the largest expenditure as a result of the hurricane. The remaining costs related to the hurricane were damage to the waste water treatment plant, capital losses to flooded vehicles, emergency protective measures to respond to the event as it occurred, and personnel costs for staff time in responding to the disaster.

In September 2008, Hurricane Ike struck the Texas Gulf Coast, and the City incurred approximately $2,000,000 worth of damage as a result. The City filed for reimbursement from federal agencies and Texas Municipal League Insurance and has been reimbursed for most of the damages. In May 2015, a significant rain event impacted Harris County including the City. The Harris County Flood Coastal District estimates that 160 homes in the City were flooded.

The damage caused by Hurricane Ike has not had significant impact on assessed valuations within the City and no assessment has been made of the May 2015 rain event. However, additional hurricanes or heavy rain events striking the area of the City in the future could result in negative impacts to the City.

Environmental Considerations

Air Quality Regulation: Air quality control measures required by the United States Environmental Protection Agency (the "EPA") and TCEQ may impact new industrial, commercial and residential development in the Houston area. Under the Clean Air Act ("CAA") Amendments of 1990, the eight-county Houston-Galveston-Brazoria area ("HGB Area")—Harris, Galveston, Brazoria, Chambers, Fort Bend, Waller, Montgomery and Liberty Counties—has been designated a nonattainment area under three (3) separate federal ozone standards: the one-hour (124 parts per billion ("ppb")) and eight-hour (84 ppb) standards promulgated by the EPA in 1997 (the "1997 Ozone Standards"); the tighter, eight-hour ozone standard of 75 ppb promulgated by the EPA in 2008 (the "2008 Ozone Standard"), and the EPA's most-recent promulgation of an even lower, 70 ppb eight-hour ozone standard in 2015 (the "2015 Ozone Standard"). While Texas has been able to demonstrate steady progress and improvements in air quality in the HGB Area, the HGB Area remains subject to CAA nonattainment requirements.

While the EPA has revoked the 1997 Ozone Standards, the EPA historically has not formally redesignated nonattainment areas for a revoked standard. As a result, the HGB Area remained subject to continuing severe nonattainment area "anti-backsliding" requirements, despite the fact that HGB Area air quality has been attaining the 1997 Ozone Standards since 2014. In late 2015, the EPA approved the TCEQ's "redesignation substitute" for the HGB Area under the revoked 1997 Ozone Standards, leaving the HGB Area subject only to the nonattainment area requirements under the 2008 Ozone Standard (and later, the 2015 Ozone Standard).

In February 2018, the U.S. Court of Appeals for the District of Columbia Circuit issued an opinion in *South Coast Air Quality Management District v. EPA,* 882 F.3d 1138 (D.C. Cir. 2018) vacating the EPA redesignation substitute rule that provided the basis for the EPA's decision to eliminate the anti-backsliding requirements that had applied in the HGB Area under the 1997 Ozone Standard. The court has not responded to the EPA's April 2018 request for rehearing of the case. To address the uncertainty created by the *South Coast* court's ruling, the TCEQ developed a formal request that the HGB Area be redesignated to attainment under the 1997 Ozone Standards. The TCEQ Commissioners adopted the request and maintenance plan for the 1997 one-hour and eight-hour standards on December 12, 2018. On May 16, 2019, the EPA proposed a determination that the HGB Area has met the redesignation criteria and continues to attain the 1997 one-hour and eight-hour standards, the termination of the anti-backsliding obligations, and approval of the proposed maintenance plan.

The HGB Area is currently designated as a "serious" nonattainment area under the 2008 Ozone Standard, with an attainment deadline of July 20, 2021. If the EPA ultimately determines that the HGB Area has failed to meet the attainment deadline based on the relevant data, the area is subject to reclassification to a nonattainment classification that provides for more stringent controls on emissions from the industrial sector. In addition, the EPA may impose a moratorium on the awarding of federal highway construction grants and other federal grants for certain public works construction projects if it finds that an area fails to demonstrate progress in reducing ozone levels.

The HGB Area is currently designated as a "marginal" nonattainment area under the 2015 Ozone Standard, with an attainment deadline of August 3, 2021. For purposes of the 2015 Ozone Standard, the HGB Area consists of only six (6) counties: Brazoria, Chambers, Fort Bend, Galveston, Harris, and Montgomery Counties.

In order to demonstrate progress toward attainment of the EPA's ozone standards, the TCEQ has established a state implementation plan ("SIP") for the HGB Area setting emission control requirements, some of which regulate the inspection and use of automobiles. These types of measures could impact how people travel, what distances people are willing to travel, where people choose to live and work, and what jobs are available in the HGB Area. These SIP requirements can negatively impact business due to the additional permitting/regulatory constraints that accompany this designation and because of the community stigma associated with a nonattainment designation. It is possible that additional controls will be necessary to allow the HGB Area to reach attainment with the ozone standards by the EPA's attainment deadlines. These additional controls could have a negative impact on the HGB Area's economic growth and development.

Area Topography and Land Subsidence

The land surface in certain areas of the City has subsided several feet since 1943 and the subsidence is continuing. The principal causes of subsidence are considered to be the withdrawal of groundwater and, to a lesser extent, oil and gas production. Subsidence may impair development in certain areas and expose such areas to flooding and severe property damage in the event of storms and hurricanes, and thus may affect assessed valuations in those areas. In 1975, the Texas Legislature created the Harris-Galveston Subsidence District (the "Subsidence District") to provide regulatory control over the withdrawal of groundwater in Harris and Galveston Counties in an effort to limit subsidence. This state agency, with no powers to levy taxes or incur debt, encompasses an area which includes the existing surface water supplies, provides an alternative source of water to meet many industrial and domestic water needs and, with the reduction of withdrawal of groundwater, the rate of subsidence has been reduced, but not eliminated.

Water Supply

The City was required by the Subsidence District to convert to surface water for a significant portion of its water supply. The City adopted a Groundwater Reduction Plan of 50% surface water and 50% groundwater. It negotiated and entered into a long-term contract with the City of Houston to purchase sufficient potable water to meet the Subsidence District's conversion requirements. The surface water conversion project was completed in April 2003 at a cost of $2.3 million paid for by funds on hand. In addition, the City has approximately 72 miles of water mains, 4 wells, 6 ground storage tanks and 2 elevated storage tanks.

Financial Policies

Basis of Accounting. The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. Governmental resources are allocated and accounted for in the individual funds based upon the purposes for which they are utilized and the means by which spending activities are controlled. All proprietary funds are accounted for using the accrual basis of accounting. See "Selected Data from Comprehensive Annual Financial Report, City of Bellaire, Texas, Fiscal Year Ended September 30, 2020" attached hereto as Appendix C.

General Fund. The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, permits and charges for services.

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

Capital Projects Funds. The capital projects funds are used to account for the expenditures of resources accumulated from tax revenues and the sale of Bonds and related interest earnings for the capital improvement projects. The capital projects funds include the capital improvement fund, which accounts for those projects funded by tax revenue; the capital bond fund, which includes those projects funded with bond proceeds; and the METRO fund, which includes those projects funded with revenue from other governmental sources.

Vehicle and Equipment Replacement Fund. The vehicle and equipment replacement fund is used to account for vehicle and equipment purchases and leases.

Enterprise Fund. The enterprise fund is used to account for the operations that provide water and wastewater collection, wastewater treatment operations and solid waste operations.

Deposits and Investments

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

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits (i) that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; or (ii) if (a) the funds invested in the banking deposits are invested through: (I) a broker with a main office or branch office in this state that the investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (II) a depository institution with a main office or branch office in this state that the investing entity selects; (b) the broker or depository institution selected as described by subsection (a) arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the investing entity's account; (c) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (d) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (I) the depository institution selected as described by subsection (a); (II) an entity described by Section 2257.041(d); or (III) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (8) certificates of deposit or share certificates (i) that are issued by or through a depository institution that either has its main office or a branch 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 (7) or in accordance with Chapter 2257, Texas Government Code or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (ii) above, an entity 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 City with respect to the certificates of deposit issued for the account of the City; (9) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (10) certain bankers' acceptances with a stated maturity of 270 days or less, that will be, in accordance with their terms, liquidated in full at maturity; that are eligible for collateral for borrowing from a Federal Reserve Bank, 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 U.S. or state bank; (12) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), and comply with federal Securities and Exchange Commission Rule 2a-7; and (13) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in certain 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, including the Federal Home Loan Banks, in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below; and is pledged to the City and deposited with the City or with a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (7) 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 (7) above, clauses (11) through (13) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

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

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

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

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

Additional Provisions. Under Texas law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance, or resolution stating that it has reviewed the investment policy and investment strategies and that the written instrument so adopted shall record any changes made to either the investment policy or investment strategies; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, Chief Financial Officer (if not the Treasurer) 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 repurchase agreement; (8) restrict its investment in no-load mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; (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 investments transactions with the City.

Current Investments. As of August 2021, the City had $34.9 million invested in local government pools, securities and cash accounts.

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

LEGAL MATTERS

Legal Opinions

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 Johnson Petrov LLP, Houston, Texas, Bond Counsel for the City.

The City will furnish the Initial Purchaser with a complete transcript of proceedings held incident to the authorization and issuance of the Bonds, including the approving opinion of the Attorney General of the State of Texas as recorded in the Bond Register of the Comptroller of Public Accounts of the State, to the effect that the Bonds are valid and legally binding Bonds of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as Appendix D.

In its capacity as Bond Counsel, Johnson Petrov LLP, Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Bonds in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. 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.

The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the book-entry-only system.

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

Litigation

The City is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; error and omissions; injuries to employees; and natural disasters. The City has obtained coverage for these risks through the Texas Municipal League's Intergovernmental Risk Pool (the "TMLIRP") and has provided various employee education and prevention programs. Various claims may be pending against the City at any given time; however, in the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

No-Litigation Certificate

The City will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Bonds, executed by both the Mayor and the City Secretary, to the effect that no litigation is pending, either in state or federal courts, contesting or attacking the Bonds; restraining or enjoining the issuance, execution, or delivery of the Bonds; affecting the provisions made for the payment of or security for the Bonds; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Bonds; or affecting the validity of the Bonds.

TAX MATTERS

General

The following discussion is a summary of certain expected material federal income tax consequences of the purchase, ownership and disposition of the Bonds and is based on the Internal Revenue Code of 1986 (the "Code"), the regulations promulgated thereunder, published rulings and pronouncements of the Internal Revenue Service ("IRS") and court decisions currently in effect. There can be no assurance that the IRS will not take a contrary view, and no ruling from the IRS, has been, or is expected to be, sought on the issues discussed herein. Any subsequent changes or interpretations may apply retroactively and could affect the opinion and summary of federal income tax consequences discussed herein.

The following discussion is not a complete analysis or description of all potential U.S. federal tax considerations that may be relevant to, or of the actual tax effect that any of the matters described herein will have on, particular holders of the Bonds and does not address U.S. federal gift or estate tax or (as otherwise stated herein) the alternative minimum tax, state, local or other tax consequences. This summary does not address special classes of taxpayers (such as partnerships, or other pass-thru entities treated as a partnerships for U.S. federal income tax purposes, S corporations, mutual funds, insurance companies, financial institutions, small business investment companies, regulated investment companies, real estate investment trusts, grantor trusts, former citizens of the U.S., broker-dealers, traders in securities and tax-exempt organizations, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be subject to branch profits tax or personal holding company provisions of the Code or taxpayers qualifying for the health insurance premium assistance credit) that are subject to special treatment under U.S. federal income tax laws, or persons that hold Bonds as a hedge against, or that are hedged against, currency risk or that are part of hedge, straddle, conversion or other integrated transaction, or persons whose functional currency is not the "U.S. dollar". This summary is further limited to investors who will hold the Bonds as "capital assets" (generally, property held for investment) within the meaning of Section 1221 of the Code. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

As used herein, the term "U.S. Holder" means a beneficial owner of a Bond who or which is: (i) an individual citizen or resident of the United States, (ii) a corporation or partnership created or organized under the laws of the United States or any political subdivision thereof or therein, (iii) an estate, the income of which is subject to U.S. federal income tax regardless of the source; or (iv) a trust, if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) the trust validly elects to be treated as a U.S. person for U.S. federal income tax purposes. As used herein, the term "Non-U.S. Holder" means a beneficial owner of a Bond that is not a U.S. Holder.

THIS SUMMARY IS INCLUDED HEREIN FOR GENERAL INFORMATION ONLY AND DOES NOT DISCUSS ALL ASPECTS OF THE U.S. FEDERAL INCOME TAXATION THAT MAY BE RELEVANT TO A PARTICULAR HOLDER OF BONDS IN LIGHT OF THE HOLDER'S PARTICULAR CIRCUMSTANCES AND INCOME TAX SITUATION. PROSPECTIVE HOLDERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF THE BONDS BEFORE DETERMINING WHETHER TO PURCHASE BONDS. THE FOLLOWING DISCUSSION IS NOT INTENDED OR WR1TTEN TO BE USED TO AVOID PENAL TIES THAT MIGHT BE IMPOSED ON THE TAXPAYER IN CONNECTION WITH THE MATTERS DISCUSSED THEREIN. INVESTORS SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX IMPLICATIONS OF RECENTLY ENACTED LEGISLATION OR THE PURCHASE,

OWNERSHIP OR DISPOSITION OF THE BONDS UNDER APPLICABLE STATE OR LOCAL LAWS, OR ANY OTHER TAX CONSEQUENCE.

FOREIGN INVESTORS SHOULD ALSO CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES UNIQUE TO NON-U.S. HOLDERS.

Certain U.S. Federal Income Tax Consequences To U.S. Holders

Periodic Interest Payments and Original Issue Discount. The Bonds are not obligations described in Section 103(a) of the Code. Accordingly, the stated interest paid on the Bonds or original issue discount, if any, accruing on the Bonds will be includable in "gross income" within the meaning of Section 61 of the Code of each owner thereof and be subject to federal income taxation when received or accrued, depending upon the tax accounting method applicable to such owner.

Disposition of Bonds. An owner will recognize gain or loss on the redemption, sale, exchange or other disposition of a Bond equal to the difference between the redemption or sale price (exclusive of any amount paid for accrued interest) and the owner's tax basis in the Bonds. Generally, a U.S. Holder's tax basis in the Bonds will be the owner's initial cost, increased by income reported by such U.S. Holder, including original issue discount and market discount income, and reduced, but not below zero, by any amortized premium. Any gain or loss generally will be a capital gain or loss and either will be long-term or short-term depending on whether the Bonds has been held for more than one year.

Defeasance of the Bonds. Defeasance of any Bond may result in a reissuance thereof, for U.S. federal income tax purposes, in which event a U.S. Holder will recognize taxable gain or loss as described above.

State, Local and Other Tax Consequences. Investors should consult their own tax advisors concerning the tax implications of holding and disposing of the Bonds under applicable state or local laws, or any other tax consequence, including the application of gift and estate taxes. Certain individuals, estates or trusts may be subject to a 3.8% surtax on all or a portion of the taxable interest that is paid on the Bonds.

PROSPECTIVE PURCHASERS OF THE BONDS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE FOREGOING MATTERS.

Information Reporting And Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to withholding under sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the withholding or backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Certain U.S. Federal Income Tax Consequences To Non-U.S. Holders

A Non-U.S. Holder that is not subject to U.S. federal income tax as a result of any direct or indirect connection to the U.S. in addition to its ownership of a Bond, will not be subject to U.S. federal income or withholding tax in respect of such Bond, provided that such Non-U.S. Holder complies, to the extent necessary, with identification requirements including delivery of a signed statement under penalties of perjury, certifying that such Non-U.S. Holder is not a U.S. person and providing the name and address of such Non-U.S. Holder. Absent such exemption, payments of interest, including any amounts paid or accrued in respect of accrued original issue discount, may be subject to withholding taxes, subject to reduction under any applicable tax treaty. Non-U.S. Holders are urged to consult their own tax advisors regarding the ownership, sale or other disposition of a Bond.

The foregoing rules will not apply to exempt a U.S. shareholder of a controlled foreign corporation from taxation on the U.S. shareholder's allocable portion of the interest income received by the controlled foreign corporation.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreements for so long as it remains obligated to advance funds to pay the Bonds. Under the agreements, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB").

Annual Reports

The City will provide to the MSRB (1) within six (6) months after the end of each Fiscal Year of the City ending in or after 2021, financial information and operating data with respect to the City of the general type (and to the extent such financial information and operating data is provided by a third party, to the extent that such information is made available) and included in the City's Comprehensive Annual Financial Audit. Should the City elect not to provide a Comprehensive Annual Financial Audit, the City will provide operating data annually which is in this Official Statement under the Schedules in Appendix A of the Official Statement numbered 1, 5 7, 8 and 11 through 13 and in Appendix C and including financial statements of the City if audited financial statements of the City are then available, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall 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.

The City may provide updated information in full text, or may incorporate by reference any publicly available documents, or in such other form consistent with the agreement, as permitted by Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements when and if they become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "SEC"). The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Bonds: (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) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, 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 the trustee, if material (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. The term "material" when used in this paragraph shall have the meaning ascribed to it under federal securities law.

Neither the Bonds nor the continuing disclosure agreement make any provision for liquidity enhancement, the funding of debt service reserves or the appointment of a trustee. In addition, the City will provide timely notice of any failure by the City to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

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

Availability of Information from EMMA

All such information described above must be filed with the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The City has agreed to provide the foregoing information only to the MSRB through EMMA.

Limitations and Amendments

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

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell 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 (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the registered and beneficial owners of the Bonds. The City may also repeal or amend the provisions of this Section 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, and the City also may amend the provisions of this Section in its discretion in any other manner or circumstance, but in either case only if and to the extent that the provisions of this sentence would not have prevented an underwriter from lawfully purchasing or selling the 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 City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual

Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided

Compliance with Prior Undertakings

In the past five years, the City has complied in all material respects with all continuing disclosure agreements made in accordance with Rule 15c2-12 with respect to the City's obligations subject to the Rule.

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.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce property values and/or the collection of sales tax revenues, parks and recreation revenues and municipal court revenues within the City. At this time there has been no discernible impact on overall sales tax revenues. See "APPENDIX A – FINANCIAL INFORMATION AND DEBT INFORMATION – Schedule 5 – Historical Analysis of Ad Valorem Taxation" and "—Schedule 10 – Municipal Sales Tax History." The Bonds are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's operations and maintenance expenses. See "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations." Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition. See "APPENDIX A – FINANCIAL INFORMATION AND DEBT INFORMATION –Schedule 10– Municipal Sales Tax History." The impact on the City's sales tax receipts will depend, in part, on the length of time that the City and local businesses are affected by the Pandemic and related mitigation efforts. The City cannot quantify the impact on sales tax collections at this time. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

VERIFICATION OF MATHEMATICAL COMPUTATIONS

Public Finance Partners LLC (the "Verification Agent") will deliver to the City, on or before the settlement date of the Obligations, its verification report indicating that it has verified the mathematical accuracy of the mathematical computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due, the maturing principal of, interest on and related call premium requirements, if any, of the Refunded Obligations.

Public Finance Partners LLC relied on the accuracy, completeness and reliability of all information provided to it by, and on all decisions and approvals of, the City. In addition, Public Finance Partners LLC has relied on any information provided to it by the City's retained advisors, consultants or legal counsel.

OTHER INFORMATON

Rating

S&P Global Ratings, a division of S&P Global Inc. ("S&P") has assigned its municipal bond rating of "AAA/Stable" to this issue of Bonds. An explanation of the rating may be obtained from S&P. The rating reflects only the view of the rating organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Financial Advisor

USCA Municipal Advisors, LLC (the "Financial Advisor"), a subsidiary of U.S. Capital Advisors, LLC, has been employed by the City to assist the City in connection with issuance of the Bonds. The Financial Advisor's fee for services with respect to the Bonds is contingent upon the issuance and delivery of the Bonds. Although the Financial Advisor has assisted in the drafting of this Official Statement, the Financial Advisor has not independently verified any of the data contained in it nor conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. No person should presume that the limited participation of such Financial Advisor means that such Financial Advisor assumes any responsibility for the accuracy or completeness of any of the information contained in this Official Statement.

Initial Purchaser

After requesting competitive bids for the Bonds, the City has accepted a bid tendered by SAMCO Capital Markets, (the "Initial Purchaser") to purchase the Bonds at the rates shown on the inside cover page of this Official Statement at a price of par plus a cash premium of $292,861.26. No assurance can be given that any trading market will be developed for the Bonds after their initial sale by the City to the Initial Purchaser. The City has no control over the prices at which the Bonds subsequently sold and the initial yields at which the Bonds will be priced and reoffered will be established by and the responsibility of the Initial Purchaser.

GENERAL CONSIDERATIONS

Prices and Marketability

The delivery of the Bonds is conditioned upon the receipt by the City of a certificate executed and delivered by the Initial Purchaser on or before the date of delivery of the Bonds, stating the prices at which a substantial amount of the Bonds of each maturity have been sold to the public. For this purpose, the term "public" shall not include any bondhouse, broker, dealer, or similar person acting in the capacity of Initial Purchaser or wholesaler. The City has no control over trading of the Bonds after a bona fide offering of the Bonds is made by the Initial Purchaser at the yields specified inside on the cover page. Information concerning reoffering yields or prices is the responsibility of the Initial Purchaser.

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Initial Purchaser after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Bonds into investment accounts.

Legal Investments and Eligibility to Secure Public Funds in Texas

Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Bonds, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees, and for municipalities and other political subdivisions or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Bonds have a rating of not less than "A" or its equivalent to be legal investments of such entity's funds. The "Public Funds Collateral Act," Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter, must be secured by eligible security. "Eligible Security" is defined to include local government obligations (such as the Bonds) with a rating from a nationally recognized investment firm of "A" or its equivalent. See "OTHER INFORMATION - Rating" herein.

The City makes no representation that the Bonds will be acceptable to public entities to secure their deposits, or acceptable to any such entities or institutions for investment purposes. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

Securities Laws

No registration statement relating to the Bonds has been filed with the United States Securities and Exchange Commission under the Securities Act of 1933, as amended, in reliance upon the exemptions provided thereunder. 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 laws of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Bonds under the securities laws of any other jurisdiction in which the Bonds may be offered, sold 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 in such other jurisdictions.

Sources and Compilation of Information

The information contained in this Official Statement has been obtained primarily from the City and from other sources believed to be reliable. No representation is made as to the accuracy or completeness of the information derived from sources other than the City. This is no guarantee that any of the assumptions or estimates contained herein will be realized. The summaries of the statutes, resolutions and other related documents are included herein subject to all the provisions of such documents. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information.

Forward-Looking Statements

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

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

Approval of the Official Statement

The Bond Ordinance approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized use in the re-offering of the Bonds by the Initial Purchaser. This Official Statement has been approved by the City Council for distribution in accordance with the provisions of the Rule.

Certification of the Official Statement

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

Audited Financial Statements

Whitley Penn LLP, the City’s independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Whitley Penn LLP relating to the City’s financial statements for the fiscal year ended September 30, 2020 is included in this Official Statement in APPENDIX C; however, Whitley Penn LLP has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

SCHEDULE I

SUMMARY OF REFUNDED OBLIGATIONS

General Obligation Bonds, Series 2014

Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
2/15/2024	4.000%	$ 360,000	2/15/2023	100.00
2/15/2025	4.000%	375,000	2/15/2023	100.00
2/15/2026	4.000%	395,000	2/15/2023	100.00
2/15/2027	3.000%	405,000	2/15/2023	100.00
2/15/2028	3.000%	420,000	2/15/2023	100.00
2/15/2029	3.000%	430,000	2/15/2023	100.00
2/15/2030	3.125%	445,000	2/15/2023	100.00
2/15/2031	3.250%	460,000	2/15/2023	100.00
2/15/2032	3.375%	475,000	2/15/2023	100.00
2/15/2033	3.375%	490,000	2/15/2023	100.00
2/15/2034	3.500%	510,000	2/15/2023	100.00
2/15/2035	3.500%	525,000	2/15/2023	100.00
2/15/2036	3.625%	545,000	2/15/2023	100.00
2/15/2037	3.625%	565,000	2/15/2023	100.00
2/15/2038	3.625%	585,000	2/15/2023	100.00
2/15/2039	3.750%	610,000	2/15/2023	100.00
		$ 7,595,000		

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APPENDIX A

GENERAL FINANCIAL INFORMATION AND DEBT INFORMATION

The City has previously issued general obligation bonds (the "Outstanding Bonds"). The following table sets forth the principal amounts of the Outstanding Bonds including the Bonds and excluding the Refunded Obligations.

Schedule 1 – Outstanding Obligations

Outstanding General Obligation Debt As Of November 1, 2021	Principal Outstanding	
General Obligation Bonds, Series 2013	185,000	
General Obligation Bonds, Series 2014	8,280,000	(a)
General Obligation Bonds, Series 2015	5,595,000	
General Obligation Refunding Bonds, Series 2016	9,125,000	
General Obligation Bonds, Series 2017	30,020,000	
General Obligation Bonds, Series 2017A	10,575,000	
General Obligation Bonds, Series 2018	10,890,000	
General Obligation Refunding Bonds, Series 2018	9,095,000	
General Obligation Bonds, Series 2019	3,840,000	
General Obligation Refunding Bonds, Series 2019A	8,730,000	
General Obligation Refunding Bonds, Series 2019B	8,090,000	
General Obligation Refunding Bonds, Taxable Series 2021	6,390,000	
Total	$ 104,425,000	
Plus: The Bonds	$ 7,805,000	
Less: Refunded Obligations	(7,595,000)	
Total	$ 104,635,000	

(a) A portion of the outstanding obligations will be refunded by the Refunding Bonds.

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Schedule 2 - Debt Service Requirements

FYE 9/30	Outstanding Debt Service	Less: Refunded Debt Service	The Bonds Principal	Interest Rate	Interest	Total	Total Debt Service	Less: Transfer of Utility Revenues [a]	Net Debt Service
2022	$ 9,626,743	$ 264,819	$ 85,000	4.250%	$ 142,603	$ 227,603	$ 9,589,526	$ 2,244,506	$ 7,345,021
2023	9,627,005	264,819	15,000	4.250%	207,399	222,399	9,584,585	2,226,239	7,358,346
2024	9,623,561	617,619	375,000	4.250%	199,111	574,111	9,580,054	2,223,376	7,356,678
2025	9,643,855	617,919	390,000	4.250%	182,855	572,855	9,598,791	2,221,864	7,376,927
2026	9,645,255	622,519	410,000	4.250%	165,855	575,855	9,598,591	2,222,195	7,376,397
2027	9,286,943	618,544	425,000	4.250%	148,111	573,111	9,241,510	2,119,035	7,122,475
2028	8,431,143	621,169	445,000	4.250%	129,624	574,624	8,384,598	1,924,078	6,460,519
2029	7,941,011	618,419	465,000	4.250%	110,286	575,286	7,897,879	1,812,499	6,085,380
2030	7,406,827	620,016	480,000	1.600%	96,565	576,565	7,363,376	1,653,016	5,710,361
2031	6,809,868	620,588	485,000	1.600%	88,845	573,845	6,763,126	1,593,730	5,169,395
2032	6,342,101	620,097	495,000	1.750%	80,634	575,634	6,297,638	1,595,567	4,702,071
2033	6,070,404	618,813	500,000	1.750%	71,928	571,928	6,023,519	1,592,323	4,431,197
2034	6,074,823	621,619	515,000	1.900%	62,660	577,660	6,030,864	1,593,241	4,437,623
2035	5,652,739	618,506	520,000	1.900%	52,828	572,828	5,607,060	1,501,161	4,105,899
2036	5,328,105	619,441	530,000	2.100%	42,323	572,323	5,280,987	1,451,248	3,829,739
2037	4,948,779	619,322	545,000	2.100%	31,035	576,035	4,905,493	1,453,277	3,452,215
2038	4,946,891	618,478	555,000	2.250%	19,069	574,069	4,902,481	1,452,846	3,449,636
2039	4,656,613	621,438	570,000	2.250%	6,413	576,413	4,611,588	1,453,163	3,158,425
2040	4,030,313	-	-	-	-	-	4,030,313	1,451,553	2,578,759
2041	3,628,894	-	-	-	-	-	3,628,894	1,448,915	2,179,979
2042	3,630,844	-	-	-	-	-	3,630,844	1,452,533	2,178,310
2043	930,759	-	-	-	-	-	930,759	438,820	491,939
2044	222,888	-	-	-	-	-	222,888	222,888	-
Total	$ 144,506,362	$10,444,141	$ 7,805,000		$ 1,838,141	$ 9,643,141	$ 143,705,362	$ 37,348,074	$ 106,357,289

(a) The Enterprise Fund transfers a discretionary amount to the Debt Service Fund to pay a portion of the principal and interest on the general obligation debt used to finance capital improvements used in enterprise activities.

Schedule 3 – Tax Adequacy for Estimated Debt Service

The calculations shown below assume, solely for the purpose of illustration, no change in assessed valuation over the 2021 taxable assessed valuation provided by the Harris County Central Appraisal District and use of tax rate adequate to service the City's total debt service requirements following the issuance of the Bonds. The potential use of surplus balances in the debt service fund, the capital projects fund, and the general fund are not reflected in the computations.

Total Debt Service [a]

Average annual debt service requirements on the City's total outstanding indebtedness, including the Bonds and excluding the Refunded Obligations.	$ 5,748,214
$ 0.1168 Tax rate on 2021 certified taxable assessed valuation at 99% collection produces:	$ 5,751,530
Maximum annual debt service requirements on the City's total outstanding indebtedness, including the Bonds and excluding the Refunded Obligations.	$ 9,598,791
$ 0.1950 Tax rate on 2021 certified taxable assessed valuation at 99% collection produces:	$ 9,602,297

(a) Includes the Bonds and excludes the Refunded Obligations.

Net Debt Service [(a)]

Average annual debt service requirements on the City's net outstanding indebtedness, including the Bonds and excluding the Refunded Obligations.	$ 4,254,292
$ 0.0864 Tax rate on 2021 certified taxable assessed valuation at 99% collection produces:	$ 4,254,556
Maximum annual debt service requirements on the City's net outstanding indebtedness, including the Bonds and excluding the Refunded Obligations.	$ 7,376,927
$ 0.1499 Tax rate on 2021 certified taxable assessed valuation at 99% collection produces:	$ 7,381,458

(a) Includes the Bonds and excludes the Refunded Obligations.

Schedule 4 - Estimated Overlapping Debt

Expenditures of the various taxing bodies within the territory of the City may be paid out of ad valorem taxes levied by these taxing bodies on property within the City. These political taxing bodies are independent of the City and may incur borrowings to finance their expenditures. The following information on overlapping jurisdictions was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional bonds since the date stated in the table, and such entities may have programs requiring the issuance of substantial amounts of additional bonds the amount of which cannot be determined.

Taxing Jurisdictions	Gross Debt Outstanding		As of	Percent Overlapping	Amount
Harris County	$ 1,584,697,125	(a)	10/31/2021	0.99%	$ 15,688,502
Harris County Dept of Education	20,185,000	(a)	10/31/2021	0.99%	199,832
Harris County Flood Control District	584,900,000	(a)	10/31/2021	0.99%	5,790,510
Harris County Hospital District	81,540,000		10/31/2021	0.99%	807,246
Harris Co Toll Road	-		10/31/2021	0.99%	-
Houston Community College	492,485,000	(a)	10/31/2021	2.12%	10,440,682
Houston ISD	2,558,485,000	(a)	10/31/2021	2.56%	65,497,216
Port of Houston Authority	469,434,397	(a)	10/31/2021	0.99%	4,647,401
Total Overlapping	$ 5,791,726,522				$ 103,071,388
City of Bellaire [(b)]	$ 104,635,000		11/1/2021	100%	$ 104,635,000
Total	$ 5,896,361,522				$ 207,706,388

(a) Gross debt, Some debt may be supported by other revenues and thus be considered self-supporting.

(b) Includes the Bonds and excludes the Refunded Obligations.

Source: Municipal Advisory Council of Texas.

Schedule 5 – Historical Analysis of Ad Valorem Taxation

The following table sets forth the City's historical taxable assessed valuation.

Tax Year	Fiscal Year	Assessed Valuation [a]	Tax Rate [a]	Adjusted Tax Levy [a]	Percent Collections Current	Percent Collections Total
2016	2017	$ 4,822,467,803	$ 0.3874	$ 18,682,240	98.36%	98.52%
2017	2018	4,894,809,224	0.4159	20,357,512	99.02%	99.41%
2018	2019	4,795,283,304	0.4313	20,682,057	98.43%	98.34%
2019	2020	4,817,269,587	0.4473	21,547,647	98.80%	98.80%
2020	2021	4,813,970,532	0.4473	21,548,003	NA	NA
2021	2022	4,973,994,898	0.4473	22,248,679	NA	NA

(a) Source: City of Bellaire.
Values shown above may be different than those shown elsewhere in the document.

Schedule 6 – Historical Analysis of the Assessed Valuation by Category

The following table sets forth the City's assessed valuation by category.

Tax Year	Fiscal Year	Real Property [a]	Personal Property [a]	Total [a]
2016	2017	$ 4,716,891,547	$ 105,576,256	$ 4,822,467,803
2017	2018	4,801,517,463	93,291,761	4,894,809,224
2018	2019	4,688,829,677	106,453,627	4,795,283,304
2019	2020	4,714,774,761	102,494,826	4,817,269,587
2020	2021	4,712,672,823	104,676,489	4,817,349,312

(a) Values may differ from those shown elsewhere in the document.
Source: City of Bellaire.

Schedule 7 – Top Ten Taxpayers

The table below reflects the City's top ten taxpayers for 2021.

Top Ten Taxpayers [a]	Type of Property	2021 Taxable Assessed Valuation	Percent of 2021 Taxable Assessed Valuation
Norvin Pin Oak North LLC	Office Buildings	$ 69,673,721	1.40%
SLS West Loop LP & Properties	Office Buildings	66,915,871	1.35%
Keppel KBS West Loop I & II Inc.	Office Buildings	42,368,762	0.85%
BRI 1833 6330 LLC	Office Buildings	39,833,476	0.80%
Centerpoint Energy	Electric Utility	35,406,458	0.71%
HEB Grocery Co LP	Grocery	33,825,861	0.68%
Bellaire 5420 Apl MP LLC	Commercial	32,906,954	0.66%
EPC Sparti LLC	Hospital	25,935,514	0.52%
CCI Bellaire I LP	Commercial	21,575,000	0.43%
BBSI LC	Commercial Buildings	16,500,000	0.33%
		$ 384,941,617	7.74%

2021 Taxable Assessed Valuation [a] $ 4,973,994,898

(a) Source: Harris County Appraisal District.
(b) Source: Muncipal Advisory Council of Texas.

Schedule 8 – Tax Rate Distribution

The following table sets forth the historical tax rates for the City.

Tax Rate Distribution	2021	2020	2019	2018	2017
General Fund	$ 0.2959	$ 0.2915	$ 0.2905	$ 0.2781	$ 0.2678
Debt Service Fund	0.1514	0.1558	0.1568	0.1532	0.1481
Total	$ 0.4473	$ 0.4473	$ 0.4473	$ 0.4313	$ 0.4159

Schedule 9 – Estimated Overlapping Taxes

Property within the City is subject to taxation by several taxing authorities in addition to the City. Under Texas law, a tax lien attaches to property to secure the payment of all taxes, penalty, and interest for the year, on January 1 of that year. The tax lien on property in favor of the City is on parity with tax liens of other taxing jurisdictions. In addition to ad valorem taxes required to make debt service payments on bonded debt of the City and such other jurisdictions, certain taxing jurisdictions are authorized by Texas law to assess, levy and collect ad valorem taxes for operation, maintenance, administrative and/or general revenue purposes.

Taxing Jurisdiction	2020 Tax Rate
Houston Independent School District	$ 1.1331
Harris County	0.3912
Harris County Flood Control District	0.0314
Port of Houston Authority	0.0099
Harris County Hospital District	0.1667
Harris County Dept of Education	0.0050
Houston Community College District	0.1003
City of Bellaire (2021 tax rate)	0.4473

Source: Harris County Central Appraisal District.

Schedule 10 – Municipal Sales Tax History

The City has adopted the Municipal Sales and Use Tax Act, Chapter 321, Texas Tax Code, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds are credited to the General Fund and are not pledged to the payment of the Bonds. State law allows the City to collect sales tax to assist in the promotion and development activities of the City.

FYE 9/30	Sales Tax Revenues [(a)]
2017	$ 2,241,860
2018	2,435,994
2019	2,406,525
2020	2,479,302
2021 [(b)]	2,428,713

(a) Source: City of Bellaire, Texas.

(b) Collections through August 2021.

Schedule 11 – Historical Operations of the Debt Service Fund

The following statement sets forth in condensed form the historical operations of the City's Debt Service Fund. Such information has been prepared based upon information obtained from the City's audited financial statements and other information provided by the City.

	Fiscal Year Ended September 30,				
Revenues	**2020**	**2019**	**2018**	**2017**	**2016**
Property taxes	$ 7,434,838	$ 7,256,140	$ 7,199,112	$ 6,268,910	$ 5,846,605
Investment income	12,278	26,552	8,193	4,164	6,081
Total Revenues	7,447,116	7,282,692	7,207,305	6,273,074	5,852,686
Expenditures					
General Government					
Debt Service:					
Principal retirement	5,575,000	5,165,000	4,920,000	4,510,000	4,055,000
Interest & fiscal charges	4,004,154	4,125,428	3,971,755	3,059,476	2,772,676
Payment to bond escrow agent	-	-	-	-	-
Bond issuance costs	-	-	-	-	-
Total Expenditures	9,579,154	9,290,428	8,891,755	7,569,476	6,827,676
Revenues Over (Under) Expenditures	(2,132,038)	(2,007,736)	(1,684,450)	(1,296,402)	(974,990)
Other Financing Sources (Uses)					
Operating transfers in	2,145,813	1,965,267	1,750,435	1,264,655	950,000
Proceeds from issuance of general obligation refunding bonds	17,800,000	12,760,000	-	9,690,000	-
Bonds issued			-	-	-
Bond premium	1,870,779	894,243	-	265,613	-
Payment to bond escrow agent	(19,642,650)	(13,627,750)	-	(9,942,235)	-
Other	-	-	-		-
Total Other Financing Sources(Uses)	2,173,942	1,991,760	1,750,435	1,278,033	950,000
Excess (Deficiency) of Revenues Over (Under) Expenditures	41,904	(15,976)	65,985	(18,369)	(24,990)
Fund balances - Beginning	520,775	536,751	470,766	489,135	514,125
Fund balances - Ending	$ 562,679	$ 520,775	$ 536,751	$ 470,766	$ 489,135

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Schedule 12 – Historical Operations of the General Fund

The following statement sets forth in condensed form the historical operations of the City's General Fund. Such information has been prepared based upon information obtained from the City's audited financial statements and other information provided by the City.

	Fiscal Year Ended September 30,				
Revenues	**2020**	**2019**	**2018**	**2017**	**2016**
Property taxes	$ 13,890,947	$ 13,255,701	$ 13,109,059	$ 12,161,757	$11,274,387
Sales taxes	2,479,303	2,406,525	2,435,994	2,241,860	2,420,809
Franchise fees	1,241,915	1,383,621	1,376,823	1,374,918	1,363,860
Licenses and permits	1,150,979	2,080,234	1,319,019	1,199,500	1,158,422
Charges for services	772,210	1,199,541	1,168,088	1,229,988	1,394,739
Fines and forfeitures	388,464	494,247	588,663	679,883	717,852
Investment income	98,333	227,144	102,333	47,017	46,454
Intergovernmental	1,183,929	406,167	77,702	202,324	2,325
Other	97,233	40,633	118,712	37,786	34,847
Total Revenues	21,303,313	21,493,813	20,296,393	19,175,033	18,413,695
Expenditures					
Current:					
General government	5,167,114	4,818,580	6,612,273	4,654,894	4,420,300
Public safety	9,982,450	9,584,228	9,190,300	8,967,042	8,014,114
Public works	1,245,689	1,155,367	997,550	1,054,450	1,056,541
Culture and recreation	4,162,504	4,493,472	4,234,594	4,217,423	4,030,077
Capital projects	-	-	-	-	-
Total Expenditures	20,557,757	20,051,647	21,034,717	18,893,809	17,521,032
Revenues Over/(Under) Expenditures	745,556	1,442,166	(738,324)	281,224	892,663
Other Financing Sources/(Uses)					
Sale of capital assets	25,528	40,514	4,923	37,184	817
Operating transfers in	624,000	624,000	624,000	624,000	624,000
Operating transfers out [a]	(471,000)	(555,000)	(492,926)	(2,057,000)	(2,306,000)
Other Financing Sources/(Uses)	178,528	109,514	135,997	(1,395,816)	(1,681,183)
Revenues & Other Financing Sources Over(Under) Expenditures and Other Financing Sources/(Uses)	924,084	1,551,680	(602,327)	(1,114,592)	(788,520)
Fund balances - Beginning	4,350,288	2,798,608	3,400,935	4,515,527	5,304,047
Fund balances - Ending	$ 5,274,372	$ 4,350,288	$ 2,798,608	$ 3,400,935	$ 4,515,527

(a) The City transferred funds to the Capital Improvement Program ("CIP") fund and Vehicle and Equipment Replacement funds ("VER") to fund capital improvements and vehicle and equipment replacements.

Schedule 13 – Historical Operations of the Water and Sewer System

The following statement sets forth in condensed form the historical operations of the City's Enterprise Fund. System net revenues are not pledged to secure the Bonds though surplus revenues may be used for debt service at the discretion of the City Council. While transfers to the Debt Service Fund have been made in the past, and the City presently intends to continue such transfers, there is no guarantee that such transfers will not be reduced or curtailed in the future. Such information has been prepared based upon information obtained from the City's audited financial statements and other information provided by the City.

	Fiscal Year Ended September 30,			
Operating Revenues	**2020**	**2019**	**2018**	**2017**
Water services	$ 5,025,705	$ 4,537,423	$ 4,769,186	$ 4,009,291
Sewer services	2,821,763	2,581,854	2,773,750	2,355,069
Solid waste	1,647,824	1,633,580	1,649,818	1,687,841
Other	110,339	109,512	316,504	58,856
Total Operating Revenues	9,605,631	8,862,369	9,509,258	8,111,057
Operating Expenses				
Personnel services	1,867,103	1,842,672	1,597,670	1,674,453
Supplies and materials	2,651,119	2,129,273	2,689,246	2,207,706
Contractual services	1,287,001	1,288,267	1,391,382	1,344,094
Repairs and maintenance	775,224	660,563	732,966	567,303
Depreciation	2,683,898	2,580,604	2,401,969	2,493,630
Total Operating Expenses	9,264,345	8,501,379	8,813,233	8,287,186
Operating Income	341,286	360,990	696,025	(176,129)
Non-Operating Revenue				
Investment income	7,822	12,115	1,666	936
Other	-	-	-	-
Gain (Loss) on disposal of capital assets	17,170	131	52,377	(28,265)
Intergovernmental revenue	11,055	194,800	64,710	102,310
Total Non-Operating Revenues	36,047	207,046	118,753	74,981
Income Before Capital Contributions and Transfers	377,333	568,036	814,778	(101,148)
Capital contributions	1,039,448	3,263,513	7,195,901	8,472,490
Transfers in	-	-	-	-
Transfers out	(3,269,813)	(2,799,267)	(2,851,435)	(2,746,000)
Change in Net Position	(1,853,032)	1,032,282	5,159,244	5,625,342
Beginning Net Position	55,234,473	54,202,191	49,206,401	43,581,059
Capital Contributions and Prior period adjustment	(387,804)		(163,454) [a]	-
Ending Net Position	$ 54,846,669	$ 55,234,473	$ 54,202,191	$ 49,206,401

(a) Restated balance in accordance with GASB Statement No. 65.

APPENDIX B

ECONOMIC AND DEMOGRAPHIC INFORMATION

Location and Size

The City of Bellaire, Texas (the "City"), incorporated in 1918, is a political subdivision located in Harris County, Texas (the "County") operating as a home-rule city under the laws of the State of Texas and a charter approved by the voters. The City operates under the Council/Manager form of government where the mayor is elected to a two-year term and the six council members are elected for staggered four-year terms. The City Council formulates operating policy for the City while the City Manager is the chief administrative officer. It is the duty of the City Manager to implement the policies and directives of the City Council.

The City is approximately 3.6 square miles in area and is located in the southwest quadrant of the County and is approximately seven miles southwest of the City of Houston's central business district. The City is encircled by the City of Houston, and neighbors the cities of West University Place and Southside Place. The City of Bellaire is a mature community that is almost fully developed with a network of businesses to support its citizens. Residential and commercial redevelopment is ongoing. Within the City limits there are a number of private and public schools.

Source: City of Bellaire.

Major Employers

The following are the top ten employers located within the City.

Principal Employers Fiscal Year 2020

Employer	Total Employees
Worley Parsons Ltd.	500-999
Bellaire High School	100-499
Brighton Gardens of Bellaire	100-499
Chevron Ornite Co. LLC	100-499
Chevron Pipe Line Co	100-499
First Street Hospital	100-499
First Surgical Partners	100-499
PFM, LLC	100-499
Pin Oak Middle School	100-499
Randall's	100-499

Source: Municipal Advisory Council of Texas.

Population

The City is part of the County, the most populous of the 254 counties in the State of Texas. According to the 2010 Census of Population, the City of Houston is the nation's fourth most populous city. The City is completely contained within the City of Houston and the County. The City is a component of the six county Houston Standard Metropolitan Statistical Area (the "Houston SMSA").

Population	1980 Census	1990 Census	2000 Census	2010 Census
Harris County, Texas	2,409,457	2,818,199	3,400,578	4,092,459
City of Bellaire, Texas	14,950	13,942	15,642	16,855

Economy

The City’s economy is an integral part of the Houston SMSA economy. The City’s employment and economic activity are also heavily influenced by the general economic conditions of the Houston SMSA and by the Texas Medical Center, which is within four miles of the City. The City’s location provides easy access to the Houston central business district via U.S. Highway 59 (seven miles), the Texas Medical Center (four miles) and to the Galleria area along Loop 610 (three miles).

According to the Chamber of Commerce, the County and the City of Houston are headquarters for some of the nation’s largest corporations. The City of Houston is a primary location for 45 of the world’s 100 largest non-U.S. based companies.

Education

The City is within the boundaries of the Houston Independent School District, which operates Bellaire High School, one middle school and three elementary schools all located within the city limits of the City. Additionally, there are four private schools in the City. Condit Elementary School was torn down and a new building was erected in the summer of 2016. A new building is currently being constructed for Bellaire High School.

There are several colleges within the Houston area including Rice University, the University of Houston, the University of St. Thomas, Houston Baptist University and Texas Southern University. Additionally, the City is within the boundaries of the Houston Community College District, which operates several junior college campuses in the area.

Source: City of Bellaire.

APPENDIX C

SELECTED DATA FROM COMPREHENSIVE ANNUAL FINANCIAL REPORT, CITY OF BELLAIRE, TEXAS, FISCAL YEAR ENDED SEPTEMBER 30, 2020

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

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City of Bellaire

Comprehensive Annual Financial Report

For Fiscal Year Ended
September 30, 2020

City of Bellaire

COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF BELLAIRE, TEXAS

For the fiscal year ended
September 30, 2020

Prepared by
Finance Department

Terrence Beaman
Chief Financial Officer

City of Bellaire

CITY OF BELLAIRE, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTORY SECTION

City of Bellaire

City of Bellaire
FINANCE

March 15, 2021

To the Honorable Mayor, Members of the City Council,
City Manager, and Citizens of the
City of Bellaire, Texas

We are pleased to submit the Comprehensive Annual Financial Report of the City of Bellaire, Texas (the "City") for the fiscal year ended September 30, 2020. This report is published to provide the citizens, City Council, City staff, bondholders, and other interested parties detailed information concerning the financial condition of the City. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects and that it is reported in a manner that fairly presents the financial position and results of operations of the City as measured by the financial activity of its various funds and account groups. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

THE REPORT

In compliance with the Governmental Accounting Standards Board (GASB) Statement No. 34, this report includes a Management's Discussion and Analysis (MD&A) which provides a narrative introduction, overview, and analysis to accompany the basic financial statements. The MD&A is located immediately following the Independent Auditors' Report. This letter of transmittal is designed to complement MD&A and should be read in conjunction with it.

CITY PROFILE

Location

The City, founded in 1908 and incorporated under the laws of the State of Texas in 1918, is located in southwest Harris County. The City is entirely surrounded by the city of Houston. The City encompasses about 3.6 square miles and has a population of 18,971 as of 2019 per the US Census Bureau estimate. While the City's population has grown considerably - by approximately 21% - since 2010 when the census estimate was 15,642, overall population growth will be limited given the City's enclave status and the extent of developed land in the City. Recent growth reflects larger households with the average household size increasing from 2.58 persons in 2000 to 2.81 in 2018.

Form of Government

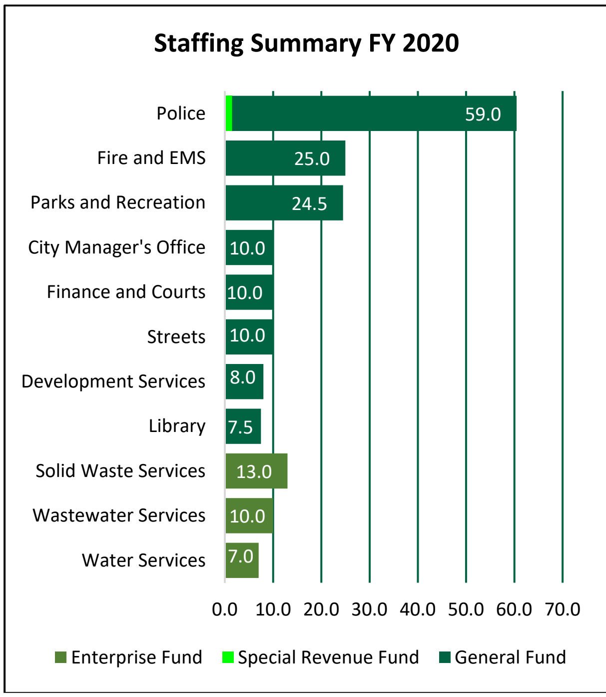
Since 1949, the City has operated under a "Home Rule Charter" which provides for a council-manager form of government. The City Council is comprised of a mayor and six council members. The mayor is elected for a regular term of two years and is limited to four consecutive terms in that position. Council members, all of whom are elected at-large, are elected for a regular term of four years. No council member may serve more than two consecutive terms in that position. The mayor and three council members are elected at each regular election. The City Council appoints a city manager to be responsible for the daily management of the City.

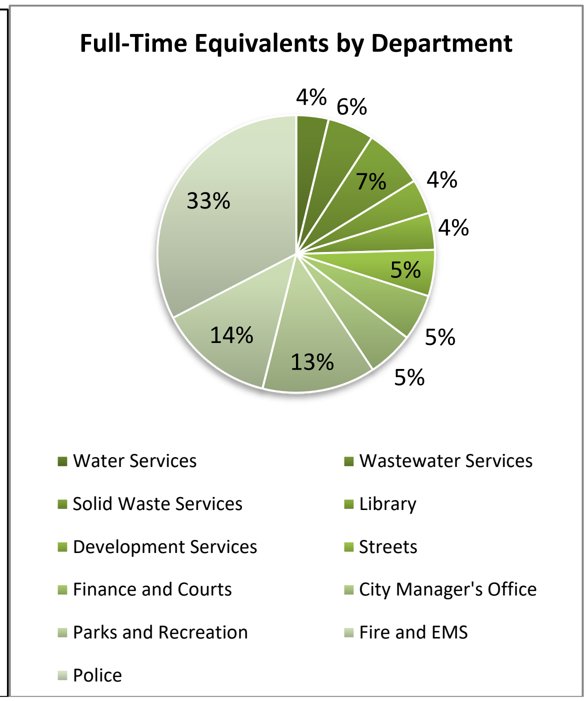
The Reporting Entity and Services Provided

The basic financial statements of the City cover all of its governmental and business-type activities, including police, fire and emergency medical services, parks and recreation, library services, street maintenance and repair, public improvements, water, sewer and solid waste systems, and general administrative services.

Staffing (excludes seasonal employees)

The City has 185.5 full-time equivalent (FTE) budgeted positions, including 154.0 FTEs in the general fund, 1.5 FTEs in the special revenue fund, and 30.0 FTEs in the enterprise fund. The police department has the largest number of FTEs (33%) followed by the fire department (14%) and the parks, recreation, and facilities department (13%).





As illustrated in the *Full-Time Equivalent City Government Budgeted Position by Function* schedule in the Unaudited Statistical Section of this annual report, in recent years FTEs have remained relatively constant. The FTE count increased by two from fiscal year 2019 to fiscal year 2020, with one additional FTE in the fire department and one in the police department. To better align the formal FTE count with part-time hours worked in recent years we changed the way we report the fire department FTE count, which resulting in increasing each of the part-time firefighter FTE count and the part-time fire inspector FTE count reported by 0.5. The police department FTE count increased by 1.0 full-time crime victim specialist position funded by a grant.

ECONOMIC CONDITION AND OUTLOOK

Economic Condition

As an enclave of Houston, the economy of the City is directly linked to the greater Houston region. While several large employers, as well as retail and service type businesses, are located within the City, Bellaire is primarily a residential community. Many residents work minutes away in Houston's largest business areas, including the Texas Medical Center, regarded as one of the finest health care facilities in the world. Two major airports, William P. Hobby International Airport and George Bush Intercontinental Airport, are easily accessible to Bellaire residents and business travelers.

The greater Houston region's economy is based on petrochemicals, shipping, refining, chemicals, space exploration, manufacturing, education, health care, and tourism. Most economic factors such as employment, oil prices, travel, and others are projected to either remain stable or grow as the greater Houston region is one of the most sought-after markets in which to live and do business. Houston is the seat of Harris County, the most populous county in the State of Texas and the third most populous county in the nation. Houston's phenomenal growth has brought about rapid development throughout the region, but the necessary infrastructure to support such growth in the outlying areas has lagged behind. As a result, many residents of the region have sought to reduce their commute time on Houston's heavily congested transportation corridors by moving closer to the workplace. In addition to Bellaire being a safe city with high quality schools, Bellaire has become increasingly desirable due to its convenient location to Houston's downtown, uptown, and midtown business districts and the Texas Medical Center.

The City is a mature community that is almost fully developed residentially with a network of businesses to support its citizens. While there is little undeveloped commercial property, the commercial infrastructure is not nearly as developed or modernized as the residential sector. The City continues to focus on better utilization and growth of the central commercial district and commercial corridors within the City based on its comprehensive plan adopted in 2009 and updated in 2015 and 2017. Large mature oak trees cascade over most of the City's streets giving a "small town" feel to the area. Local government control through city council gives Bellaire residents more influence over key government services such as police and fire protection.

Coronaviruses are a family of viruses that can cause illnesses such as the common cold, severe acute respiratory syndrome (SARS), and Middle East respiratory syndrome (MERS). In 2019, a new coronavirus known as the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was identified. The disease it causes is called coronavirus disease 2019 (COVID-19). In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. While important City services were not interrupted, COVID-19 significantly impacted City operations during fiscal year 2020. Facilities were temporarily closed to the public. Recreation programming was limited. Schools were closed and many people worked from home. Many retail outlets within the City were temporarily closed, and others had limited operations, such as take-out only service at restaurants.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for reimbursement of eligible expenditures to state, local, and tribal governments through the Coronavirus Relief Fund. Direct payments were made to units of local government with populations exceeding 500,000. Due to our population size, the City was not eligible for a direct payment from the Coronavirus Relief Fund, however, Harris County used $28.5 million of its $426.0 million direct allocation to establish a Small Cities Assistance Program pursuant to which the City could receive up to $1.0 million of pass-thru funding. The City did participate in the Small Cities Assistance Program and received $1.0 million of reimbursement funding from Harris County in fiscal year 2021.

In addition to incurring eligible expenditures, such as expenditures for personal protective equipment, sanitization, signage, and substantially dedicated public safety personnel, COVID-19 had significant financial impacts due to impacts on our operations, including reduced revenues. Despite the financial impacts of COVID-19, the general fund ended the fiscal year well above its minimum 60-day fund balance, and the enterprise fund ended the fiscal year well above its minimum 60-day working capital balance. Please see a more comprehensive discussion of the impacts of COVID-19 in the accompanying MD&A.

Hurricane Harvey, a category 4 major hurricane, made landfall in August 2017 approximately 175 miles southwest of the City. After landfall, its speed slowed dramatically to a crawl. For about two days, the storm stalled just inland, dropping very heavy rainfall and causing widespread flash flooding in the Houston area, including in Bellaire. Approximately 1,936 of the approximately 6,688 homes in Bellaire, or approximately 29%, had some level of water damage. The City had exceptionally large amounts of debris to remove from public right-of-ways, and the City suffered substantial damage to its wastewater treatment plant.

Because of the storm the aggregate taxable property values in the City decreased by approximately 2% for fiscal year 2019 (tax year 2018). Taxable property values for fiscal year 2020 (tax year 2019) increased approximately

1% over fiscal year 2019 values but have not fully returned to pre-storm levels. In the near term we expect aggregate property values to slowly recover, and in the longer term we expect aggregate property values to continue to increase. Many of the homes that flooded were older, smaller homes built prior to the 1970's. We have seen a resurgence of new construction with new, larger homes being built in their place. The replacement process is occurring, but it will take time. The following table illustrates the residential construction activity before and after Hurricane Harvey.

Fiscal Year	New Residential		Residential Remodeling	
	Number	Amount	Number	Amount
2015	98	$52,190,001	364	$7,154,236
2016	73	$44,585,564	485	$9,877,019
2017	87	$49,790,628	397	$7,407,337
2018	110	$62,397,992	504	$11,452,249
2019	98	$64,135,455	394	$9,405,288
2020	72	$50,226,993	307	$9,189,284

These new homes will have considerably more taxable value than the homes they replace, and they will be less likely to flood. The current building code was implemented in 2007 and requires new homes constructed to be elevated to one foot above the base flood elevation. That regulatory standard worked well during Hurricane Harvey: of the homes that flooded, only approximately 2% were built to the current standard.

The City incurred significant unbudgeted costs associated with recovery and repair, most significantly costs related to debris removal. Because of Hurricane Harvey expenditures, the general fund balance was slightly below its 60-day minimum reserve at September 30, 2018 but was restored above the minimum reserve by September 30, 2019. Thus, the reserve fund balance worked exactly as it is supposed to providing a cushion for significant unexpected expenditures.

Most of our Hurricane Harvey costs, which were incurred in fiscal years 2017 and 2018, were reimbursed through the City's insurance and the Federal Emergency Management Agency (FEMA). The City received insurance reimbursements and reimbursements of eligible expenditures in fiscal years 2017, 2018, 2019, and 2020. Fiscal year 2020 reimbursements totaled $1.2 million, including $1.1 million for debris removal.

Major Initiatives and Community Developments

Drainage has been and continues to be a focal point for the City and has been even more in focus because of Hurricane Harvey. Over the past 20 years the City has invested more than $85 million in local drainage infrastructure and will continue to invest in the years to come. Recently, the City has been concentrating on the regional aspect of flood control, as flood waters do not follow jurisdictional boundaries. Flooding is a regional problem requiring regional solutions. The fiscal year 2019 capital improvement program included funding for a master drainage concept plan that is now underway in partnership with the Harris County Flood Control District and the Texas Department of Transportation. It will analyze flooding throughout the area using a comprehensive hydraulic model, and fully evaluate several potential improvement alternatives, including preliminary cost estimates of each, to aid in decision making moving forward. While it was funded in the fiscal year 2019 budget, the work on the master drainage concept plan began in fiscal year 2020 and will continue in fiscal year 2021.

The City has ongoing street maintenance projects funded from the metro fund. This fund receives intergovernmental revenues from the Metropolitan Transit Authority of Harris County which are restricted in use for mobility projects.

A new building for Bellaire High School is under construction that will incorporate the recently completed science classroom and laboratory wing and add a parking garage. Bellaire High School is located on a 17-acre site in a residential area of Bellaire. The main building was built in 1955. The school has attendance in excess of 3,300 students and the parking is inadequate for a school of its size. In September 2017, the Bellaire City Council approved a specific use permit for the school district paving the way for rebuilding the school. The first phase of construction began in June 2018. The project is being built in three phases of construction in a way that allows students to remain in school during construction. Construction of the new three-story academic wing should be completed in time to welcome students into the building by August 2021. Once that happens, the existing school building will be demolished to make way for construction of the four-level parking garage and new administration wing which is expected to be completed in 2022.

In 2017, the renovation of the Bellaire Town Center shopping center began. The project was completed in phases, which ultimately resulted in the demolition of the old approximately 39,000 square foot facility and the construction of a new approximately 72,000 square foot facility and a parking garage. The new two-story Bellaire Town Center complex is an upscale, mixed-use space with service retailers and office space above first floor restaurants and shops. The project was completed in calendar year 2020.

In July 2016 Chevron, the City's top employer and property taxpayer at the time, announced it would be vacating its Bellaire facility and consolidating its operations into its downtown Houston offices. This opened redevelopment possibilities for a contiguous, rectangular area of approximately 30 acres in the City. Long-established neighborhoods of single-family detached homes border the site to the North and South, and Interstate 610 borders the site to the East. The site presents a unique redevelopment opportunity that could accommodate a range of desirable potential uses. Since the 1940's the site had been zoned as a Technical Research Park, which corresponded to use as a business park in the Land Use and Character Map within the City's comprehensive plan. The comprehensive plan serves as a framework for guiding future development, redevelopment, and community enhancement. Sensing the opportunity for redevelopment of the Chevron property into something with more community benefit than a business park, the City amended its comprehensive plan in April 2017 identifying the area as the North Bellaire Special Development Area on the Future Land Use and Character Map within the comprehensive plan. This re-designation within the comprehensive plan indicated the City's openness to alternative uses for the site such as traditional single-family homes, lifecycle housing, and non-residential and mixed-use development.

In September 2018, SLS Houston Properties, LLC (SLS), a Houston based commercial real estate development company purchased the property from Chevron and rebranded the location as Bellaire Place. In November 2018, City Council approved specific use permits submitted by SLS which allow for multi-tenant office use in the existing office building previously occupied by Chevron and for the construction of a parking garage. City Council is currently evaluating a recommendation of the City's planning and zoning commission to establish a new zoning district for the 30-acre property. The new zoning district, if approved, will provide for a variety of uses as contemplated by the April 2017 amendment to the comprehensive plan. SLS is waiting for the outcome of the rezoning process to move forward with their plans to further develop the property. SLS's development plans will likely include retail and restaurant options. If further developed, Bellaire Place could significantly add to the City's sales tax base.

In July 2019, construction of a new medical office building, Bissonnet Medical Plaza, began. Construction was completed at the end of 2020. Bissonnet Medical Plaza is a modern three-story facility with approximately 53,000 square feet of rentable space. The building was constructed on a formerly vacant parcel and includes a parking garage.

Long-Term Financial Planning

The City's strategic planning process has multiple components. At the base, is the City's long-term *comprehensive plan* developed in 2009 and most recently revised in 2017. It has a 20-year planning horizon focusing on land use, infrastructure, and quality of life.

Elements of the *comprehensive plan* feed into the development of *city council priorities*. *City council priorities* have a 5-year planning horizon focusing on local and regional flood mitigation, public works, public safety and mobility, budget and finance, quality of life, commercial redevelopment, parks and facilities, and premier employer status.

Elements of *city council priorities* feed into the development of the *capital improvement plan*. The *capital improvement plan* has a 5-year planning horizon focusing on capital improvement projects.

Elements of *city council priorities* and the *capital improvement plan* feed into the development of the *fiscal forecast*. The *fiscal forecast* has a 5-year planning horizon focusing on major assumptions and overall forecasting of cash flows.

Elements of *city council priorities* and the *fiscal forecast* feed into the development of the department level s*ervice plans*. Department level s*ervice plans* have a 3-year planning horizon focusing on why the department exists, what the department is responsible for, what the department does, who the department serves, what service level the department provides, a high-level analysis of the department budget and fiscal forecast, an analysis of the environment in which the department operates, consideration of available assets, identification of potential future service enhancements, and development of future strategic goals.

Elements of the *fiscal forecast* and the department level s*ervice plans* feed into the development of the *annual budget*.

While the longer-term strategic planning elements generally drive the development of the shorter-term strategic planning elements, there can be components of the shorter-term planning elements identified which in turn are used in the updating or revising of the longer-term planning elements, making the development a two-way street.

The fiscal forecast provides a forward-looking view of the general fund, enterprise fund, and debt service fund operating budgets allowing City officials and others to evaluate the long-term sustainability of the operating budgets, and it provides a starting point for future decision-making regarding the budget by identifying the balance between potential spending needs and the projected revenue outlook. This long-range outlook provides a key tool for financial planning. The fiscal forecast is updated at least annually, but sometimes more often as revenues and spending outlook become clearer. The City uses the fiscal forecast as a tool to:

- identify preliminary spending priorities for future years;
- identify necessary expenditure adjustments for future years;
- ensure that both additions and reductions to the budget are sustainable;
- maintain options to deal with contingencies; and
- anticipate factors affecting revenues and service needs.

The fiscal forecast is based upon a series of assumptions about economic conditions, future spending scenarios, and other relevant variables. It sets the stage to identify any disparities between future recurring revenues and expenditures to allow time for development of strategies to align financial capacity with long-term service objectives. The City monitors and updates its five-year fiscal forecast and regularly re-visits all assumptions related to debt as economic indicators change.

Debt management is a major component of the strategic planning process that incorporates financing needs for infrastructure development that is consistent with the revenue stream, while at the same time measuring and assessing the cost and timing of each debt issuance. Debt service payments are budgeted expenditures. Simultaneous with the budget finalization, and integral to development of budgeted property tax revenue, the City establishes the next fiscal year's tax rate. The general rate produces revenues available in the general fund to satisfy expenditures, while the debt service rate produces revenues available in the debt service fund to service debt.

The City's total property tax rate for fiscal year 2021 (tax year 2020) is unchanged from fiscal year 2020 (tax year 2019). However, there are slight offsetting variances within the components of the total tax rate. The general rate increases by $0.0010 with an offsetting $0.0010 decrease in the debt service rate. Tax rates for fiscal year 2021 and the previous three fiscal years were apportioned as follows (*tax rates are the amount of tax levied for each $100 of assessed valuation*):

Fund	**FY 2018**	**Change**	**FY 2019**	**Change**	**FY 2020**	**Change**	**FY 2021**
General	$0.2678	$0.0103	$0.2781	$0.0124	$0.2905	$0.0010	$0.2915
Debt Service	0.1481	0.0051	0.1532	0.0036	0.1568	(0.0010)	0.1558
Total Tax	$0.4159	$0.0154	$0.4313	$0.0160	$0.4473	$0.0000	$0.4473

Property tax revenues are the main source of resources available for debt service, however; in addition, the enterprise fund annually transfers money to the debt service fund to cover debt service requirements on bond proceeds used for enterprise infrastructure. The transfer for fiscal year 2020 was $2.15 million.

Payments for bond principal and interest, which include associated fees, totaled $9.57 million in fiscal year 2020 and are budgeted to be approximately $9.64 million in fiscal year 2021, excluding refundings.

The City's charter contains no limit on the amount of debt the City may incur. The amount of ad valorem tax-supported debt that the City may incur is limited by the Constitution of the State of Texas (the "State"). The State Constitution provides that the ad valorem taxes levied by the City for general purposes and for paying the principal and interest on the City's indebtedness must not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no constitutional or statutory limitation within the $2.50 rate for debt payments; however, the Texas Attorney General has adopted an administrative policy that prohibits the issuance of debt by a municipality, such as Bellaire, if its issuance produces debt service requirements exceeding that which can be paid from $1.50 of the foregoing $2.50 maximum tax rate calculated at 90% collections. The City's debt service tax rate for fiscal year 2020 of $0.1568 and for fiscal year 2021 of $0.1558 for each $100 of assessed value is well below the aforementioned limit of $1.50 for each $100 of assessed value.

One aspect of debt management in which the City has had much success over the years is refunding opportunities. The City constantly monitors its debt and the financial markets for opportunities to refinance (refund) its debt at lower interest rates. The table below summarizes refunding completed from fiscal year 2009 through 2020.

Fiscal Year	Refunding Date	Principal Refunded (millions)	Reduction of Future Debt Service (millions)	Net Present Value Savings (millions)
2009	06/30/09	$10.8	$0.7	$0.5
2010	03/31/10	16.4	1.3	1.0
2011	11/22/10	6.8	0.8	0.7
2012	12/08/11	8.9	0.9	0.7
2012	07/11/12	9.0	1.5	1.2
2017	12/06/16	9.0	1.5	1.3
2019	11/21/18	15.7	0.7	0.6
2020	11/19/19	9.3	1.0	0.8
2020	12/10/19	9.7	1.1	1.0
Total		$95.4	$9.5	$7.8

In addition to the refundings presented in the preceding table, in the second quarter of fiscal year 2021 the City refunded $6.3 million of bonds generating a net present value savings of $0.8 million.

Financial Information

The City's accounting records for general government operations are maintained on a modified accrual basis with the revenues recorded when available and measurable and expenditures recorded when the goods or services are received and the liabilities incurred. Accounting records for the City's proprietary activities are maintained on the accrual basis.

Management of the City is responsible for establishing and maintaining internal controls designed to ensure that the assets of the City are protected from loss, theft, or misuse and to ensure that adequate accounting data is completed to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the cost of controls should not exceed the benefits expected to be derived and (2) the evaluation of costs and benefits require estimates and judgments by management.

We believe the City's accounting controls provide reasonable assurance that errors or irregularities that could be material to the financial statements are prevented, or would be detected within a timely period, by employees in the normal course of performing their assigned functions.

Additionally, the City maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of each of the City's funds are included in the annual appropriated budget. The level of budgetary control (the level at which expenditures cannot legally exceed the appropriated amount) is the total approved budget for each department. As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

OTHER INFORMATION

Independent Audit

The City's charter requires an annual audit of the books of accounts, financial records, and transactions of all administrative departments of the City by an independent certified public accountant. The independent auditors' report prepared by Whitley Penn, LLP is included in the financial section of this report.

Audit Finance Board

The city council has formally established an Audit Finance Board (the "Board") to enhance the audit process by providing a direct link between the auditors and the city council. The Board reviews the audit prior to submission to City Council and assists the auditors and City staff with the presentation of the audit. It also reviews and assists with the development of the City's financial policies.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its annual report for the year ended September 30, 2018. This was the twenty third consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe the annual report for the year ended September 30, 2019 continues to meet the Certificate of Achievement program's requirements, and we submitted it to the GFOA to determine its eligibility for another certificate; however, COVID-19 has delayed their review of the annual report for the year ended September 30, 2019. We believe the current annual report continues to meet the Certificate of Achievement program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

The GFOA presented a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning October 1, 2019 and ending September 30, 2020. This was the fourth consecutive year that the City achieved this prestigious award. In order to receive a Distinguished Budget Presentation Award, a government must publish a budget document that meets program criteria as a policy document, as a financial plan, as an operations guide, and as a communications device. A Distinguished Budget Presentation Award is valid for a period of one year only. We believe the most recently completed budget for the fiscal year beginning October 1, 2020 and ending September 30, 2021 continues to meet the Distinguished Budget Presentation Award program's requirements, and we submitted it to the GFOA to determine its eligibility for another award.

Acknowledgements

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the finance department and the cooperation of all other City departments. We would like to express our appreciation to all members of the finance department and all other City staff who assisted and contributed to the preparation of this report. Credit must also be given to the mayor, city council, Audit Finance Board, and city manager for their continued interest and support in planning and conducting the financial operations of the City in a responsible and professional manner.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer, City of Bellaire, 7008 South Rice Avenue, Bellaire, Texas 77401-4411.

Respectfully submitted,

Terrence Beaman
Chief Financial Officer

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Bellaire

Texas

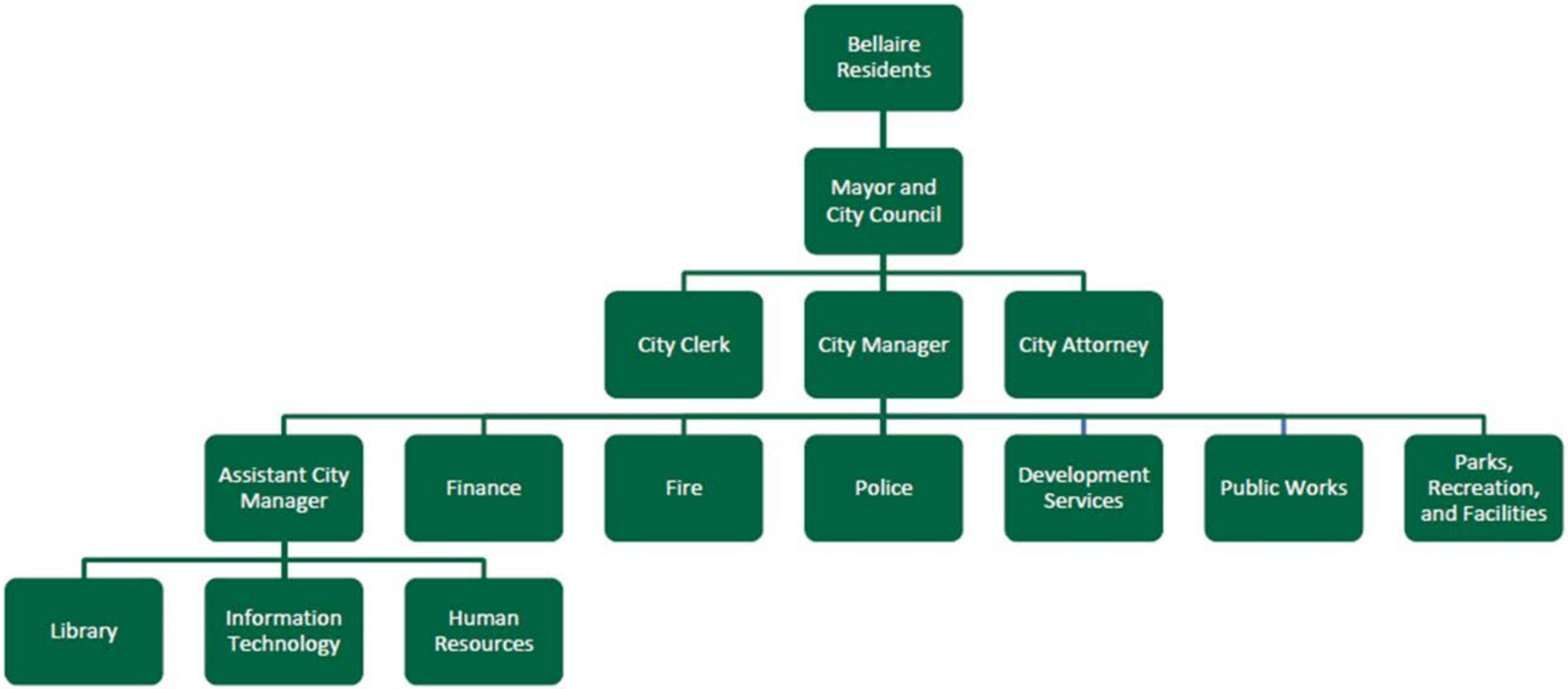
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2018

Christopher P. Morrill

Executive Director/CEO

City Organizational Chart



CITY OF BELLAIRE, TEXAS
PRINCIPAL CITY OFFICIALS
January 2021

City Officials	Elective Position	Term Expires
Andrew S. Friedberg	Mayor	01/22
Neil Verma	Council Member - Position No. 1	01/22
Catherine Lewis	Council Member - Position No. 2	01/24
Gus E. Pappas	Council Member - Position No. 3	01/22
Nathan Wesely	Council Member - Position No. 4	01/24
Michael Fife	Council Member - Position No. 5	01/22
Jim Hotze	Council Member - Position No. 6	01/24

Key Staff	Position
Brant Gary	Interim City Manager and Assistant City Manager
Terrence Beaman	Chief Financial Officer
Tracy L. Dutton	City Clerk
Michael Leech	Director of Public Works
Byron Holloway	Police Chief
Deacon Tittel	Fire Chief
Karl Miller	Director of Parks, Recreation, and Facilities
Mary Cohrs	Director of Library
ChaVonne Sampson	Director of Development Services
Patrice Baltuskonis	Director of Information Technology

FINANCIAL SECTION

City of Bellaire

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713.621.1515 Main

whitleypenn.com

REPORT OF INDEPENDENT AUDITORS

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

Report on 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 City of Bellaire, Texas (the "City") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 20, budgetary comparison information on pages 70 through 71, and pension system and other post-employment benefit supplementary information on pages 72 through 75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2021, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Whitley Penn LLP

March 15, 2021
Houston, Texas

City of Bellaire

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Bellaire, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020 (MD&A).

Financial Highlights

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by $58.0 million *(net position),* a decrease of $4.5 million from the prior year. This decrease is less than the $7.7 million of depreciation expense recorded. Of the total $58.0 million net position, unrestricted net position amounted to a deficit of $2.5 million. This deficit unrestricted net position is the result of reflecting $13.5 million in pension and other postemployment benefits as long-term liabilities on the statement of net position. These amounts are from the government-wide financial statements which are reported using the economic resources measurement focus and the accrual basis of accounting. See Note 1. E. *Measurement Focus and Basis of Accounting*, in the Notes to the Basic Financial Statements for more information.

- As of the close of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of $30.1 million, a decrease of $2.8 million from the prior year. This decrease is less than the $6.5 million capital outlay. Approximately 18.5% of the City's combined governmental fund balances, $5.6 million, is available for spending at the City's discretion *(unassigned fund balance).* These amounts are from the governmental fund financial statements which are reported using the current financial resources measurement focus and the modified accrual basis of accounting. See Note 1. E. *Measurement Focus and Basis of Accounting*, in the Notes to the Basic Financial Statements for more information.

- At the end of the most recent fiscal year, unassigned fund balance for the general fund was 27.0% of general fund expenditures, an increase from 23.1% at the end of the prior fiscal year. The City's fund balance policy requires a minimum of 16.4%.

- As of the close of the most recent fiscal year, the City's sole proprietary fund reported an ending net position of $53.0 million, a decrease of $2.2 million from the prior year. This decrease is less than the $2.7 million of depreciation expense recorded. Approximately 1.06% of the fund's net position, $0.6 million, is available for spending at the City's discretion *(unrestricted net position).* This represents a decrease of $0.2 million in unrestricted net position over the prior fiscal year.

- At the end of the most recent fiscal year, working capital for the enterprise fund was 31.77% of enterprise fund operating expenses, excluding depreciation expense, a decrease from 37.17% at the end of the prior fiscal year. The City's working capital policy requires a minimum of 16.4%.

- In fiscal year 2020, the City issued $8.95 million of General Obligation Refunding Bonds, Series 2019A and $8.85 million of General Obligation Refunding Bonds, Series 2019B. These two refundings generated a combined net present value savings of $1.9 million. See Note 5 – *Long-term Liabilities*, in the Notes to the Basic Financial Statements for more information.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 23 through 25 of this report.

Fund Financial Statements

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

<u>Governmental Funds</u>

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

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

The City maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, debt service fund, capital bond fund, and capital improvement fund, all of which are considered to be major funds for reporting purposes. Data from the non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements found on pages 78 through 79 of this report.

The City adopts an annual appropriated budget for all funds. Budgetary comparison schedules have been provided for the general fund and debt service fund to demonstrate compliance with their budgets.

The basic governmental fund financial statements can be found on pages 26 through 32 of this report.

Proprietary Funds

Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City maintains one type of proprietary fund, an enterprise fund, to account for its water, sewer, and solid waste services.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and solid waste operations. The enterprise fund is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 33 through 35 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 37 through 68 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide pension and other post-employment benefits to its employees and general fund budgetary comparisons. Required supplementary information can be found on pages 70 through 75 of this report.

Government-wide Financial Analysis

As noted earlier, changes in net position over time may serve as a useful indicator of whether a government's financial position is improving or deteriorating. The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $58 million (*net position*).

By far, the largest portion of the City's net position, $84.3 million, the amount before taking into account the bonds associated with business-type capital assets, reflects its net investment in capital assets (e.g., investments in land, buildings, infrastructure, machinery and equipment, less any related outstanding debt used to acquire those assets). Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Generally, property tax revenues levied specifically for the purpose of repaying debt are used to repay the debt.

An additional portion of the City's net position, $2.9 million, represents resources that are subject to external restrictions on how they may be used.

Debt activity, including debt issuance and debt repayment for both governmental activities and business-type activities, has historically been reflected in governmental activities, while the related capital assets purchased or constructed with the debt proceeds have been capitalized in either governmental activities or business-type activities depending on the nature of the capital assets. As a result, governmental activities reports all of the debt but only the governmental activities capital assets while business-type activities reports none of the debt but does include business-type activities capital assets. The result is governmental activities presenting negative unrestricted net position of $29.7 million. The City has included a reconciliation column in the Statement of Net Position adjusting the net investment in capital assets. Outstanding debt associated with governmental activities in the amount of $26.7 million is being used to finance capital assets reported in business-type activities. Accordingly, this amount has been added back to unrestricted net position and deducted from net investment in capital assets in total for the primary government.

The following table summarizes the financial position of the City as of September 30, 2020 and 2019.

	September 30, 2020			
	Governmental Activities	**Business-type Activities**	**Reconciliation**	**Total Primary Government**
Current assets	$ 32,831,360	$ 2,971,262	$ -	$ 35,802,622
Capital assets, net	109,466,348	52,432,077	-	161,898,425
Total Assets	142,297,708	55,403,339	-	197,701,047
Deferred charge on refunding	1,557,149	-	-	1,557,149
Deferred outflows - pensions	1,704,318	189,369	-	1,893,687
Deferred outflows - OPEB	326,024	57,081	-	383,105
Total Deferred Outflows of Resources	3,587,491	246,450	-	3,833,941
Current liabilities	2,835,425	850,786	-	137,460,946
Long-term liabilities	135,892,702	1,568,244	-	141,147,157
Total Liabilities	138,728,127	2,419,030	-	141,147,157
Deferred inflows - pensions	2,102,460	233,607	-	2,336,067
Deferred inflows - OPEB	20,084	3,515	-	23,599
Deferred Inflows of Resources	2,122,544	237,122	-	2,359,666
Net investment in capital assets	31,848,866	52,432,077	(26,695,609)	57,585,334
Restricted	2,893,733	-	-	2,893,733
Unrestricted	(29,708,071)	561,560	26,695,609	(2,450,902)
Total Net Position	$ 5,034,528	$ 52,993,637	$ -	$ 58,028,165

	September 30, 2019			
	Governmental Activities	Business-type Activities	Reconciliation	Total Primary Government
Current assets	$ 37,125,834	$ 2,762,606	$ -	$ 39,888,440
Capital assets, net	113,248,822	54,464,331	-	167,713,153
Total Assets	150,374,656	57,226,937	-	207,601,593
Deferred charge on refunding	2,113,912	-	-	2,113,912
Deferred outflows - pensions	4,771,663	572,652	-	5,344,315
Deferred outflows - OPEB	187,777	32,619	-	220,396
Total Deferred Outflows of Resources	7,073,352	605,271	-	7,678,623
Current liabilities	4,327,334	529,392	-	4,856,726
Long-term liabilities	145,502,749	2,034,612	-	147,537,361
Total Liabilities	149,830,083	2,564,004	-	152,394,087
Deferred Inflows of Resources	303,709	33,731	-	337,440
Net investment in capital assets	35,224,162	54,464,331	(27,673,902)	62,014,591
Restricted	2,551,650	-	-	2,551,650
Unrestricted	(30,461,596)	770,142	27,673,902	(2,017,552)
Total Net Position	$ 7,314,216	$ 55,234,473	$ -	$ 62,548,689

The City's net position decreased by $4.5 million during the most recent fiscal year due to prior period adjustments aggregating $3.4 million (as described in Note 11 – *Prior Period Adjustments*, in the Notes to the Basic Financial Statements) and due to a decrease in charges for services of $0.7 million due to the impact of COVID-19. Additionally, property taxes, while $0.9 million higher than fiscal year 2019, were $0.3 million underbudget and therefore, did not support expenses as fully as anticipated.

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

CONDENSED SCHEDULE OF CHANGES IN NET POSITION

For the Years Ended September 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 2,339,987	$ 3,819,108	$ 9,495,292	$ 8,752,857	$ 11,835,279	$ 12,571,965
Operating grants and contributions	2,861,507	1,777,932	11,055	194,800	2,872,562	1,972,732
General revenues:						
Property taxes	21,398,243	20,448,674	-	-	21,398,243	20,448,674
Other taxes	3,773,743	3,844,925	-	-	3,773,743	3,844,925
Other	393,711	941,567	135,331	121,758	529,042	1,063,325
Total Revenues	30,767,191	30,832,206	9,641,678	9,069,415	40,408,869	39,901,621
Expenses:						
General government	5,717,274	5,712,740	-	-	5,717,274	5,712,740
Public safety	11,283,113	11,077,968	-	-	11,283,113	11,077,968
Public works	6,450,241	4,526,186	-	-	6,450,241	4,526,186
Culture and recreation	4,621,189	5,144,925	-	-	4,621,189	5,144,925
Water system	-	-	6,518,393	5,625,032	6,518,393	5,625,032
Sewer system	-	-	1,202,515	1,380,494	1,202,515	1,380,494
Solid waste	-	-	1,543,437	1,495,853	1,543,437	1,495,853
Interest on long-term debt	4,241,197	4,370,062	-	-	4,241,197	4,370,062
Total Expenses	32,313,014	30,831,881	9,264,345	8,501,379	41,577,359	39,333,260
Change in net position before transfers	(1,545,823)	325	377,333	568,036	(1,168,490)	568,361
Transfers in (out)	2,230,365	(464,246)	(2,230,365)	464,246	-	-
Change in net position	684,542	(463,921)	(1,853,032)	1,032,282	(1,168,490)	568,361
Total Net Position - Beginning	7,314,216	7,778,137	55,234,473	54,202,191	62,548,689	61,980,328
Prior period adjustments	(2,964,230)	-	(387,804)	-	(3,352,034)	-
Total Net Position - Ending	$ 5,034,528	$ 7,314,216	$ 52,993,637	$ 55,234,473	$ 58,028,165	$ 62,548,689

Governmental Activities

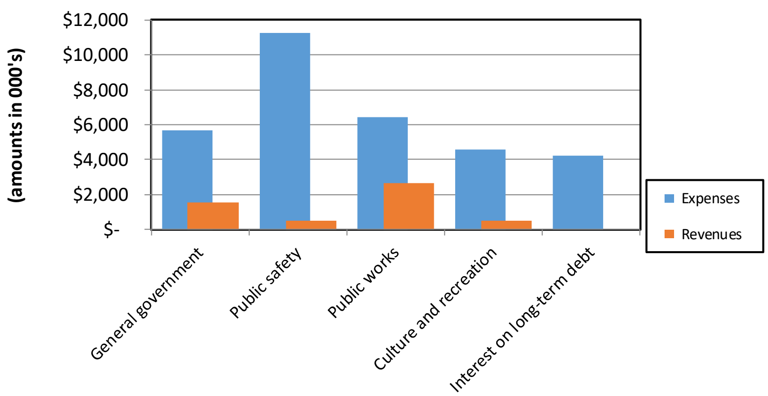
Governmental activities increased the City's net position by approximately $0.7 million or 9% of total beginning net position. The key elements of this increase are as follows:

- $1.1 million increase in grants and contributions due to primarily FEMA funds related to Hurricane Harvey debris collection,
- $0.9 million increase in property tax revenues due to increase in property tax rates,
- $1.0 million in capital improvements were financed by governmental activities and transferred to and capitalized by business-type activities,
- $0.5 million decrease in culture and recreation expenses, and
- $0.1 million decrease in interest expense on long-term debt.

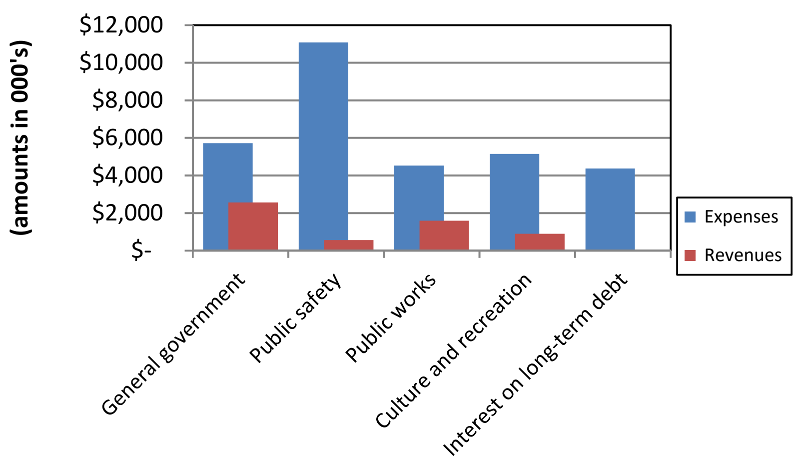
The above factors increasing net position were partially offset by the following elements:

- $1.5 million decrease in charges for services due primarily due to COVID-19, and
- $1.9 million increase in Public Works expenses.

A comparison of program expenses to program revenues for fiscal year 2020 follows:

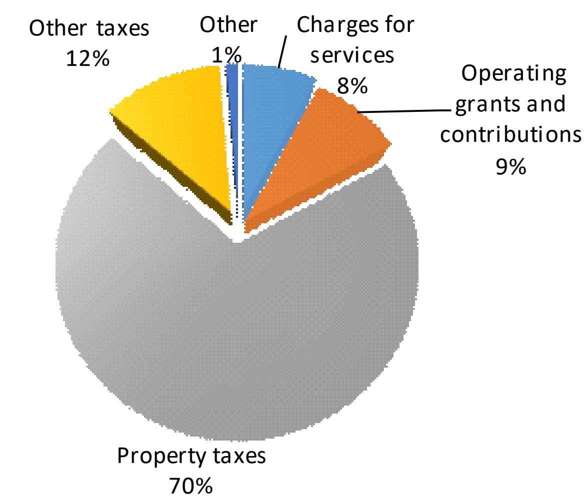


A comparison of program expenses to program revenues for fiscal year 2019 follows:

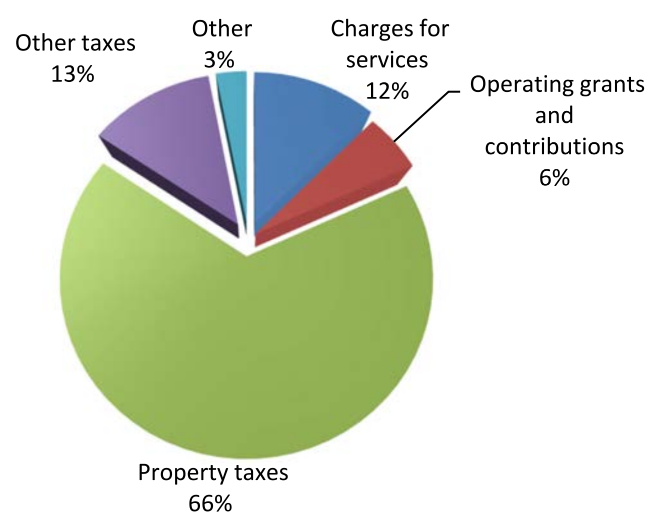


The governmental activities of the City include general government, public safety, public works, and culture and recreation. This distribution of fiscal year 2020 program expenses and program revenues is similar to fiscal year 2019. It is not surprising that the program expenses exceed the program revenues for governmental activities as they are, by definition, functions of the City that are principally supported by taxes and intergovernmental revenues. Other functions of the City that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities) are discussed separately later in this MD&A.

Revenue sources for governmental activities for fiscal year 2020 were distributed as follows:

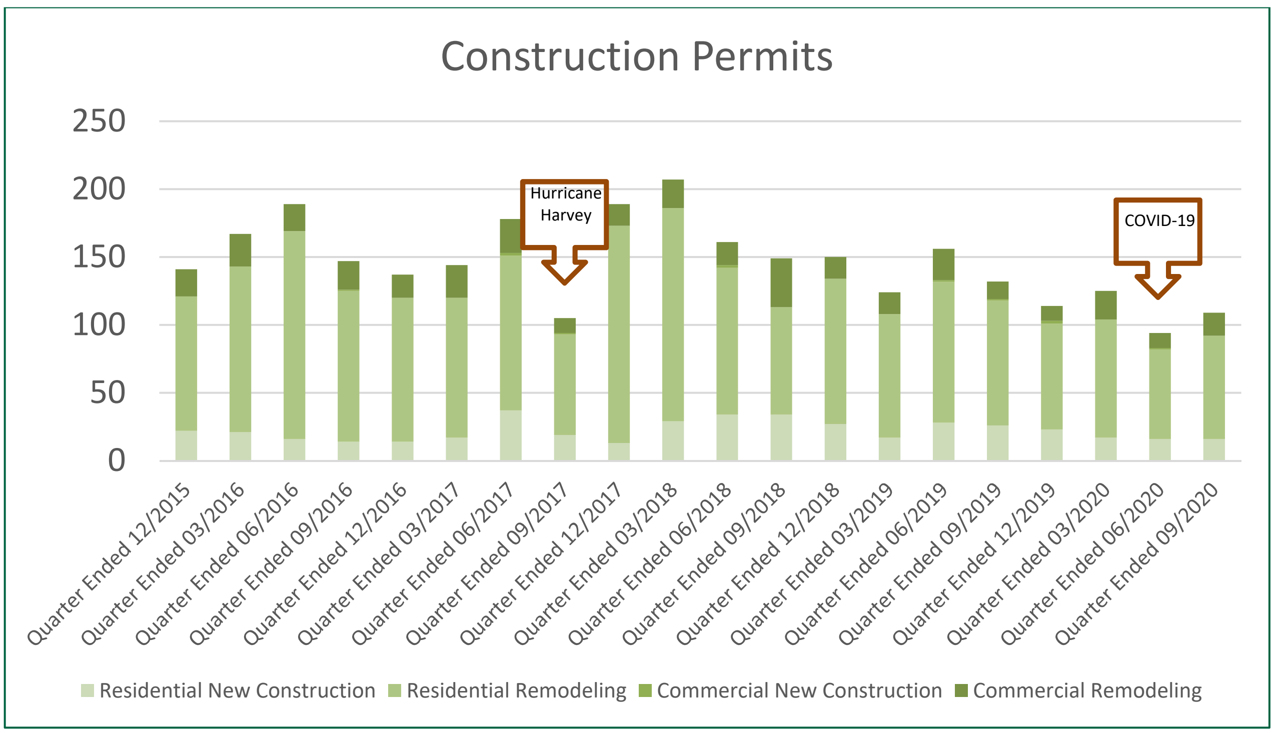


Revenue sources for governmental activities for fiscal year 2019 were distributed as follows:



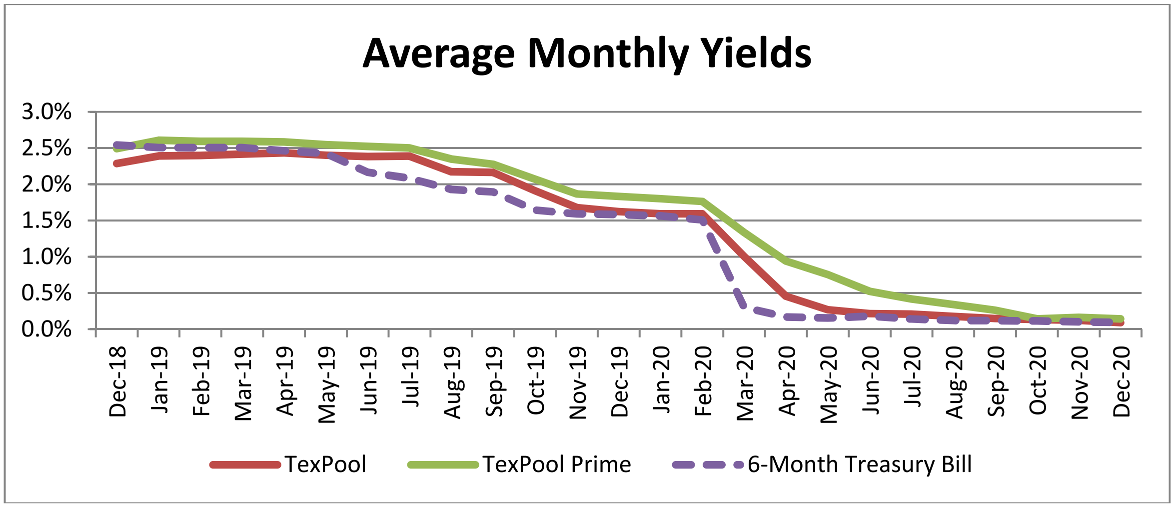
As reflected in the previous graph, property taxes are the primary revenue source for governmental activities. Property taxes increased from fiscal year 2019 to fiscal year 2020 due to an increase in property tax rates, increasing by 4.6%. Property taxes increased from 66% of revenues in fiscal year 2019 to 70% of revenues in fiscal year 2020. This was primarily due to lower than budgeted charges for services due to COVID-19. COVID-19 resulted in reduced charges for permits, parks and recreation fees, library fees, ambulance charges, and court fines. Charges for services decreased from 12% of total revenues in fiscal year 2019 to 8% of total revenues in fiscal year 2020. Other taxes decreased from 13% of total revenues to 12% of total revenues due to decreased franchise fees resulting from the implementation of Texas Senate Bill 1152 which allowed telecommunications companies providing both cable and telephone services to pay only the higher of the two franchise fees instead of both the cable and the telephone franchise fees.

Overall revenues from governmental activities decreased by $0.1 million, or 0.2%. The primary drivers were licenses and permits which decreased $1.0 million, or 39%, investment earnings which decreased $0.6 million, or 59%, and culture and recreation charges for services which decreased $0.4 million, or 51%. These decreases are primarily attributable to COVID-19. COVID-19 resulted in depressed levels of new home construction and home remodeling which negatively impacted licenses and permit revenue. As reflected in the following graph, the City experienced decreased permit activity during the second half of the fiscal year. The number of construction permits issued in the third fiscal quarter (three months ended June 2020) were lower than any other quarter in fiscal years 2016 – 2020, including lower than the quarter of Hurricane Harvey.



The library was closed from March through the end of the fiscal year and parks and recreation programming was severely curtailed due to COVID-19, which resulted in lower culture and recreation charges for services.

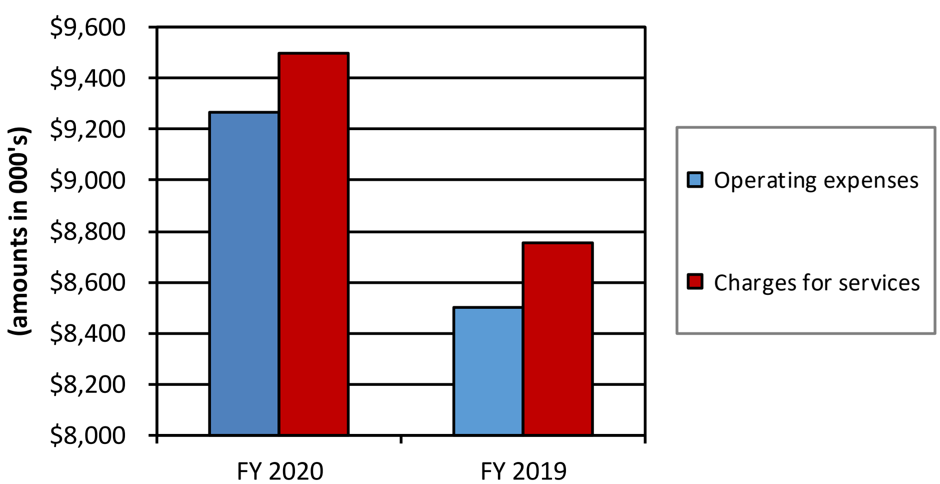
To stimulate economic activity during COVID-19, the Federal Reserve reduced the federal funds overnight interbank lending rate from a range of 1.50% - 1.75% down to 0.00% - 0.25% during March 2020. This resulted in corresponding lower yields on our investments in government pooled funds. The following graph illustrates the dramatic drop in yields on the TexPool and TexPool Prime government pooled funds.



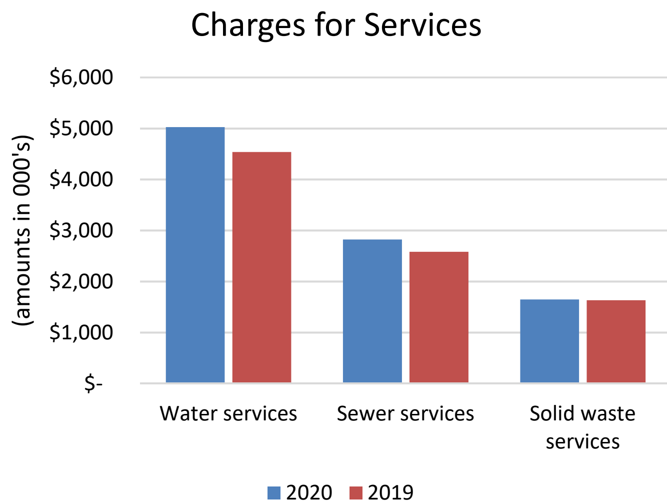
Business-type Activities

Business-type activities decreased the City's net position by $1.9 million, or 3%. For the year ended September 30, 2020, charges for services for water, sewer, and solid waste increased by $0.7 million, an increase of 8% from the previous year. Rates remained unchanged from the prior year, so the increase in revenues was attributable to increased consumption. For the year ended September 30, 2020, expenses for water, sewer, and solid waste increased by $0.8 million, an increase of 9% from the previous year.

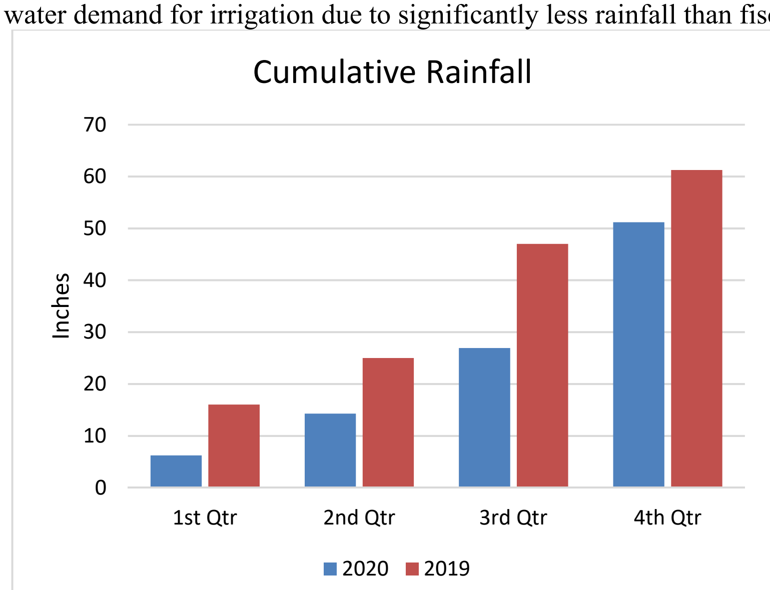
A comparison between operating expenses relating to water, sewer, and solid waste and program revenues (charges for services) for fiscal years 2020 and 2019 follows:



Most of the increase in program revenues was in water services and sewer services with very little change in solid waste services.



Water revenues increased by 10.8%; sewer revenues increased by 9.3%; and solid waste revenues by 0.9%. For fiscal year 2020 the enterprise fund water and wastewater rates increased by approximately 8.0% and solid waste rates remained unchanged. Most of the increase in revenues can be attributed to increased water and sewer rates. The remaining increase is attributable to increased demand for water and sewer services as more residents remained home due to COVID-19 pandemic and increased demand for irrigation. The City is primarily a residential community, so the increased residential water sales easily outpaced the reduced commercial water sales. Because a significant portion of water use is for irrigation, water use has a direct inverse correlation to rainfall. The more rainfall, the less water use. Commercial sewer services charges are tied directly to monthly water use, so lower water use also results in lower commercial sewer charges. Residential sewer services charges are based an average of the water used in the winter months, so lower water use in winter months results in lower residential sewer services charges. In addition to the increase in water demand from COVID-19, fiscal year 2020 experienced increased water demand for irrigation due to significantly less rainfall than fiscal year 2019



Financial Analysis of the City's Funds

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

Governmental Funds

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

As of the end of the most recent fiscal year, the City's governmental funds reported combined ending fund balances of $30.1 million, a decrease of $2.8 million, or 8.7% or from the prior year. This decrease is mainly attributable to a $4.0 million decrease in fund balance in the capital bond fund for capital outlay expenditures. Approximately $5.6 million of the combined ending fund balances, 18.5%, is available for spending at the City's discretion (unassigned fund balance).

(in millions)	General	Debt Service	Capital Bond	Capital Improvement	Non-Major	Total
2020 Fund balance	$5.6	$0.6	$16.4	$2.6	$4.9	$30.1
2019 Fund balance	4.7	0.5	20.4	2.9	4.4	32.9
Increase/(decrease)	$0.9	$0.1	($4.0)	($0.3)	$0.5	($2.8)

The general fund is the chief operating fund of the City. At the end of the most recent fiscal year, the general fund reported an ending fund balance of $5.6 million, an increase of $0.9 million, or 19.1% from the prior year. The increase was primarily due to property taxes. Total revenues of $21.3 million exceeded total expenditures of $20.6 million. Other financing sources related to net transfers contributed $0.2 million to fund balance.

Unassigned fund balance of $5.6 million represents 27.0% of general fund operating expenditures, which exceeds the fund's minimum requirement of 16.4%.

The debt service fund has a total fund balance of $0.6 million at year-end, all of which is restricted for the payment of debt service. The net increase in fund balance during the current year in the debt service fund was $0.1 million.

The City's capital bond fund expended $4.2 million on capital projects, resulting in an ending fund balance of $16.4 million.

The City's capital improvement fund expended $0.7 million on capital projects and received proceeds from capital related transfers of $0.1 million, resulting in an ending fund balance of $2.6 million.

The City's METRO fund, vehicle and equipment replacement fund, and special revenue fund comprise the City's non-major funds and are reflected as such in the aggregate on the balance sheet. The City's METRO fund reported an ending fund balance of $2.3 million, which was an increase of $0.2 million. This increase is a result of the City receiving more funds from the Metropolitan Transit Authority of Harris County than the City spent on mobility projects. The City's vehicle and equipment replacement fund reported an ending fund balance of $2.1 million, an increase of $0.2 million. The City's special revenue fund reported an ending fund balance of $0.5 million, approximately the same as the prior year.

Proprietary Funds

The City's sole proprietary fund, an enterprise fund, provides the same type of information found in the government-wide financial statements.

The City's enterprise fund operating revenues exceeded operating expenses by $0.3 million. Governmental funds contributed $1.4 million in business-type capital assets and the enterprise fund transferred $3.3 million to the governmental funds to help finance debt previously issued to fund business-type capital assets, to provide funds for future business-type capital improvements, and to reimburse the general fund for shared overhead expenses. The working capital of the enterprise fund at the end of the year amounted to $2.1 million or 31.77% of operating expenses, excluding depreciation, for the fund. This exceeds the fund's minimum requirement of 16.4%.

General Fund Budgetary Highlights

Actual general fund revenues were greater than final amended budgeted revenues by $0.2 million due to $1.7 million of disaster reimbursements mostly from the Federal Emergency Management Agency (FEMA) related to Hurricane Harvey debris removal costs incurred in fiscal year 2018. Excluding the disaster reimbursements, general fund revenues were under budget by $1.5 million primarily due to revenue shortfalls associated with COVID-19. General fund expenditures were less than the final budget by $0.8 million primarily due to programming reductions related to COVID-19. The general fund net increase in fund balance was $0.9 million, $1.0 million more than the final budgeted decrease in fund balance of $0.1 million. The unassigned ending fund balance of $5.6 million represents 27.2% of general fund operating expenditures.

The City's fund balance policy is to strive to maintain a minimum unassigned general fund balance equal to sixty (60) days of normal operating expenditures, which would equate to the fund balance representing approximately 16.4% of operating expenditures.

The fiscal year-end general fund unassigned balance at 27.2% of general fund expenditures is more than the 16.4% required by the City's minimum reserve policy.

The City's fiscal year 2020 general fund budget was structurally balanced with budgeted recurring revenues slightly exceeding budgeted recurring expenditures. The actual ending fund balance at September 30, 2020 is $1.0 million more than the final budgeted ending fund balance.

Capital Asset and Debt Administration

The City's capital assets for its governmental and business-type activities as of September 30, 2020, amounted to $161.9 million (net of accumulated depreciation). This investment in capital assets includes a variety of capital assets and infrastructure. Capital asset balances decreased by approximately $5.8 million from the prior year due to $7.7 million of depreciation expense.

Major capital asset events during the most recent fiscal year included street and drainage projects, water and wastewater projects, final construction costs of new city hall/police/court facilities, and new vehicles and equipment.

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Capital assets not being depreciated:						
Land and intangibles	$ 6,882	$ 6,882	$ 256	$ 256	$ 7,138	$ 7,138
Construction in progress	5,898	8,261	2,544	12,013	8,443	20,274
Capital assets, net of depreciation:						
Infrastructure	65,777	65,849	43,985	35,907	109,762	101,756
Buildings and improvements	28,636	29,590	3,691	3,925	32,327	33,515
Vehicles and equipment	2,272	2,666	1,956	2,364	4,228	5,030
	$ 109,466	$ 113,249	$ 52,432	$ 54,464	$ 161,898	$ 167,713

Additional information on the City's capital assets can be found in Note 4 to the basic financial statements.

Long-term Liabilities

At the end of the most recent fiscal year, the City had total bonded debt outstanding of $116.4 million, all of which is general obligation debt. This is a decrease of $6.8 million from the prior year due to the scheduled principal payments of $5.6 million made during the year and a net decrease of $1.2 million resulting from refunding activity ($17.8 million of refunding bonds issued offset by $19.0 million in refunded obligations retired). The entire amount of bonded debt is backed by the full faith and credit of the City.

A schedule of long-term liabilities at September 30, 2020 and 2019 follows (in $000's):

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Bonds payable:						
General obligation bonds	$ 116,440	$ 123,215	$ -	$ -	$ 116,440	$ 123,215
Premiums	5,311	4,394	-	-	5,311	4,394
Other long-term liabilities:						
Capital lease	549	608	-	-	549	608
Compensated absences	959	883	64	45	1,023	928
Sales Tax Payable	670	-	-	-	670	-
Net pension liability	10,118	14,813	1,222	1,744	11,340	16,557
Total OPEB liability	1,847	1,590	283	245	2,130	1,835
	$ 135,893	$ 145,503	$ 1,569	$ 2,034	$ 137,462	$ 147,537

The City maintains an "AAA" rating from Standard & Poor's Ratings Services for general obligation debt.

Additional information on the City's long-term debt can be found in Note 5 to the basic financial statements.

Economic Factors and Next Year's Budget and Rates

As an enclave of Houston, the economy of the City is directly linked to the greater Houston region. The unemployment rate for the greater Houston region at December 31, 2020 was 8.0% compared to the United States' average unemployment rate of 6.7% per the U.S. Bureau of Labor Statistics. This represents an increase over the greater Houston region's December 31, 2019 unemployment rate of 3.6%, while the national unemployment rate increased during 2020 from 3.5% at December 31, 2019. COVID-19 resulted in increased unemployment rates both in the greater Houston region and nationally.

Coronaviruses are a family of viruses that can cause illnesses such as the common cold, severe acute respiratory syndrome (SARS) and Middle East respiratory syndrome (MERS). In 2019, a new coronavirus known as the severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2) was identified. The disease it causes is called coronavirus disease 2019 (COVID-19). In March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. While important City services were not interrupted, COVID-19 significantly impacted City operations during fiscal year 2020. Facilities were temporarily closed to the public. Recreation programming was limited. Schools were closed and many people worked from home. Many retail outlets within the City were temporarily closed, and others had limited operations, such as take-out only service at restaurants.

The general fund's three largest revenue sources – property taxes (65 percent of budgeted revenue), sales taxes (11 percent of budgeted revenue), and franchise taxes (6 percent of budgeted revenue) – had minimal negative impacts from COVID-19; however, COVID-19 had negative impacts on permits, fees, and licenses relating to building and development activity, parks and recreation revenues, public safety revenues, fines, and interest income. Overall, general fund fiscal year 2020 recurring revenues were $1.0 million or 5 percent, below budget. The general fund should be able absorb the impacts as the general fund balance at September 30, 2020 is $2.2 million over the sixty-day fund balance requirement.

The enterprise fund experienced a decrease in commercial water consumption due to COVID-19 which resulted in lower commercial water and wastewater revenues; however, the stay-at-home order resulted in dramatically increased residential water consumption, and therefore residential water revenues were significantly higher than budget in fiscal year 2020. Commercial wastewater charges are based on water consumption; however, residential wastewater charges are based on a winter-average water consumption, so the enterprise fund did not experience as dramatic of an increase in residential wastewater revenues as it did in residential water revenues. Overall, enterprise fund fiscal year 2020 revenues exceeded budget by $0.02 million or 0.2 percent, due to the increased residential water consumption.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for reimbursement of eligible expenditures to state, local, and tribal governments through the Coronavirus Relief Fund. Direct payments were made to units of local government with populations exceeding 500,000. Due to our population size, the City was not eligible for a direct payment from the Coronavirus Relief Fund, however, Harris County used $28.5 million of its $426.0 million direct allocation to establish a Small Cities Assistance Program pursuant to which the City could receive up to $1.0 million of pass-thru funding. The City did participate in the Small Cities Assistance Program and received $1.0 million of reimbursement funding from Harris County in fiscal year 2021.

Hurricane Harvey, a category 4 major hurricane, made landfall in August 2017 approximately 175 miles southwest of the City. After landfall, its speed slowed dramatically to a crawl. For about two days, the storm stalled just inland, dropping very heavy rainfall and causing widespread flash flooding in the Houston area, including in Bellaire. Approximately 1,936 of the approximately 6,688 homes in Bellaire, or approximately 29%, had some level of water damage. The City had exceptionally large amounts of debris to remove from public right-of-ways, and the City suffered substantial damage to its wastewater treatment plant.

Because of the storm the aggregate taxable property values in the City decreased by approximately 2% for fiscal year 2019 (tax year 2018). Taxable property values for fiscal year 2020 (tax year 2019) increased approximately 1% over fiscal year 2019 values but have not fully returned to pre-storm levels. In the near term we expect aggregate property values to slowly recover, and in the longer term we expect aggregate property values to continue to increase. Many of the homes that flooded were older, smaller homes built prior to the 1970's. We have seen a resurgence of new construction with new, larger homes being built in their place. The replacement process is occurring, but it will take time. COVID-19 interrupted the development activity in fiscal year 2020, but we anticipate residential development will increase once the COVID-19 public health crisis abates. The following table illustrates the increased post-Harvey residential construction activity.

Fiscal Year	New Residential		Residential Remodeling	
	Number	Amount	Number	Amount
2015	98	$52,190,001	364	$7,154,236
2016	73	$44,585,564	485	$9,877,019
2017	87	$49,790,628	397	$7,407,337
2018	110	$62,397,992	504	$11,452,249
2019	98	$64,135,455	394	$9,405,288
2020	72	$50,226,993	307	$9,189,284

These new homes will have considerably more taxable value than the homes they replace, and they will be less likely to flood. The current building code was implemented in 2007 and requires new homes constructed to be elevated to one foot above the base flood elevation. That regulatory standard worked well during Hurricane Harvey: of the homes that flooded, only approximately 2% were built to the current standard.

The City incurred significant unbudgeted costs associated with recovery and repair, most significantly costs related to debris removal. Because of Hurricane Harvey expenditures, the general fund balance was slightly below its 60-day minimum reserve at September 30, 2018 but was restored above the minimum reserve by September 30, 2019. Thus, the reserve fund balance worked exactly as it is supposed to providing a cushion for significant unexpected expenditures.

Most of our Hurricane Harvey costs, which were incurred in fiscal years 2017 and 2018, were reimbursed through the City's insurance and the Federal Emergency Management Agency (FEMA). The City received insurance reimbursements and reimbursements of eligible expenditures in fiscal years 2017, 2018, 2019, and 2020. Fiscal year 2020 reimbursements totaled $1.2 million, including $1.1 million for debris removal.

Each year the budget is prepared on key objectives and assumptions. The annual budget process is part of a broader long-term strategic planning process that includes at its foundation a comprehensive plan for the City and priorities established by City Council

The property tax rate for fiscal year 2020 (tax year 2019) increased by approximately 3.7% to $0.4473 per $100 of assessed value. The City's property tax rate for fiscal year 2021 (tax year 2020) is unchanged from fiscal year 2020 (tax year 2019).

For fiscal year 2020 the enterprise fund water and wastewater rates increased by approximately 8.0% and solid waste rates remained unchanged. Water, wastewater, and solid waste rates remained unchanged for fiscal year 2021.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the City's finances. Questions concerning any of the information should be addressed to the Chief Financial Officer, City of Bellaire, 7008 South Rice Avenue, Bellaire, Texas 77401-4411.

BASIC FINANCIAL STATEMENTS

City of Bellaire

CITY OF BELLAIRE, TEXAS
STATEMENT OF NET POSITION
September 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Reconciliation	Total
Assets				
Cash and cash equivalents	$ 31,197,694	$ 1,111,289	$ -	$ 32,308,983
Receivables, net of allowance	1,616,895	1,492,852	-	3,109,747
Prepaid items	16,771	367,121	-	383,892
Nondepreciable capital assets	12,780,740	2,800,400	-	15,581,140
Depreciable capital assets, net of depreciation	96,685,608	49,631,677	-	146,317,285
Total Capital Assets	109,466,348	52,432,077	-	161,898,425
Total Assets	142,297,708	55,403,339	-	197,701,047
Deferred Outflows of Resources				
Deferred charge on refunding	1,557,149	-	-	1,557,149
Deferred outflows - pension	1,704,318	189,369	-	1,893,687
Deferred outflows - OPEB	326,024	57,081	-	383,105
Total Deferred Outflows of Resources	3,587,491	246,450	-	3,833,941
Liabilities				
Accounts payable and accrued expenses	2,322,475	761,396	-	3,083,871
Customer deposits	-	89,390	-	89,390
Accrued interest payable	512,950	-	-	512,950
Long-term liabilities:				
Due within one year	6,215,503	29,807	-	6,245,310
Due in more than one year	117,041,972	33,891	-	117,075,863
Sales Tax Payable	669,965	-	-	669,965
Net pension liability	10,118,014	1,221,693	-	11,339,707
Total OPEB liability	1,847,248	282,853	-	2,130,101
Total Liabilities	138,728,127	2,419,030	-	141,147,157
Deferred Inflows of Resources				
Deferred inflows - pension	2,102,460	233,607	-	2,336,067
Deferred inflows - OPEB	20,084	3,515	-	23,599
Total Deferred Inflows of Resources	2,122,544	237,122	-	2,359,666
Net Position				
Net investment in capital assets	31,848,866	52,432,077	(26,695,609)	57,585,334
Restricted for:				
Special revenue				
Public, educational, and governmental programming fees	167,301	-	-	167,301
Police and fire department vehicles and equipment	137,274	-	-	137,274
Library supplies and equipment	26,175	-	-	26,175
Municipal court technology	100,876	-	-	100,876
Parks and recreation equipment	20,035	-	-	20,035
Debt service	150,820	-	-	150,820
Capital projects				
Metropolitan streets or METRO	2,291,252	-	-	2,291,252
Unrestricted	(29,708,071)	561,560	26,695,609	(2,450,902)
Total Net Position	$ 5,034,528	$ 52,993,637	$ -	$ 58,028,165

See notes to the financial statements.

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

		Program Revenue	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary Government			
Governmental Activities:			
General government	$ 5,717,274	$ 1,563,562	$ -
Public safety	11,283,113	346,319	154,403
Public works	6,450,241	-	2,655,898
Culture and recreation	4,621,189	430,106	51,206
Interest on long-term debt	4,241,197	-	-
Total Governmental Activities	32,313,014	2,339,987	2,861,507
Business-type Activities:			
Water system	6,518,393	5,025,743	11,055
Sewer system	1,202,515	2,821,725	-
Solid waste	1,543,437	1,647,824	-
Total business-type activities	9,264,345	9,495,292	11,055
Total Primary Government	$ 41,577,359	$ 11,835,279	$ 2,872,562

See notes to the financial statements.

	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Functions/Programs	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government			
Governmental Activities:			
General government	$ (4,153,712)	$ -	$ (4,153,712)
Public safety	(10,782,391)	-	(10,782,391)
Public works	(3,794,343)	-	(3,794,343)
Culture and recreation	(4,139,877)	-	(4,139,877)
Interest on long-term debt	(4,241,197)	-	(4,241,197)
Total Governmental Activities	(27,111,520)	-	(27,111,520)
Business-type Activities:			
Water system	-	(1,481,595)	(1,481,595)
Sewer system	-	1,619,210	1,619,210
Solid waste	-	104,387	104,387
Total business-type activities	-	242,002	242,002
Total Primary Government	(27,111,520)	242,002	(26,869,518)
General Revenues:			
Taxes:			
Property taxes	21,398,243	-	21,398,243
Sales and use taxes	2,479,303	-	2,479,303
Franchise taxes	1,294,440	-	1,294,440
Investment income	391,574	7,822	399,396
Miscellaneous	2,137	127,509	129,646
Transfers	2,230,365	(2,230,365)	-
Total General Revenues and Transfers	27,796,062	(2,095,034)	25,701,028
Change in net position	684,542	(1,853,032)	(1,168,490)
Net Position - Beginning	7,314,216	55,234,473	62,548,689
Prior period adjustment	(2,964,230)	(387,804)	(3,352,034)
Net Position - Ending	$ 5,034,528	$ 52,993,637	$ 58,028,165

CITY OF BELLAIRE, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	General	Debt Service	Capital Bond
Assets			
Cash and cash equivalents	$ 5,644,830	$ 562,679	$ 17,521,757
Receivables, net of allowance	1,037,509	101,091	-
Prepaid items	16,771	-	-
Total Assets	6,699,110	663,770	17,521,757
Liabilities			
Accounts payable and accrued liabilities	773,079	-	1,093,339
Total Liabilities	773,079	-	1,093,339
Deferred Inflows of Resources			
Unavailable revenues - other	164,370	-	-
Unavailable revenues - property taxes	187,289	101,091	-
Total Deferred Inflows of Resources	351,659	101,091	-
Fund Balances			
Nonspendable	16,771	-	-
Restricted:			
Public, educational, and governmental programming fees	-	-	-
Police and fire department vehicles and equipment	-	-	-
Library supplies and equipment	-	-	-
Municipal court technology	-	-	-
Parks and recreation equipment	-	-	-
Debt service	-	562,679	-
Metropolitan streets or METRO	-	-	-
Drainage and city facilities	-	-	16,428,418
Committed:			
City facilities and equipment	-	-	-
Unassigned	5,557,601	-	-
Total Fund Balances	5,574,372	562,679	16,428,418
Total Liabilities, Deferred Inflows, and Fund Balances	$ 6,699,110	$ 663,770	$ 17,521,757

See notes to the financial statements.

BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2020

	Capital Improvement	Non-Major Governmental Funds	Total
Assets			
Cash and cash equivalents	$ 2,753,520	$ 4,714,908	$ 31,197,694
Receivables, net of allowance	247,530	230,765	1,616,895
Prepaid items	-	-	16,771
Total Assets	3,001,050	4,945,673	32,831,360
Liabilities			
Accounts payable and accrued liabilities	370,877	85,180	2,322,475
Total Liabilities	370,877	85,180	2,322,475
Deferred Inflows of Resources			
Unavailable revenues - other	-	-	164,370
Unavailable revenues - property taxes	-	-	288,380
Total Deferred Inflows of Resources	-	-	452,750
Fund Balances			
Nonspendable	-	-	16,771
Restricted:			
Public, educational, and governmental programming fees	-	167,301	167,301
Police and fire department vehicles and equipment	-	137,274	137,274
Library supplies and equipment	-	26,175	26,175
Municipal court technology	-	100,876	100,876
Parks and recreation equipment	-	20,035	20,035
Debt service	-	-	562,679
Metropolitan streets or METRO	-	2,291,252	2,291,252
Drainage and city facilities	-	-	16,428,418
Committed:			
City facilities and equipment	2,630,173	2,117,580	4,747,753
Unassigned	-	-	5,557,601
Total Fund Balances	2,630,173	4,860,493	30,056,135
Total Liabilities, Deferred Inflows, and Fund Balances	$ 3,001,050	$ 4,945,673	$ 32,831,360

See notes to the financial statements.

City of Bellaire

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

Total fund balance of governmental funds in the Governmental Funds Balance Sheet	$ 30,056,135
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	109,466,348
Certain other unavailable assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Unavailable revenue	452,750
Long-term liabilities are not due in the current period and, therefore, are not reported as liabilities in the fund financial statements, but are included in the governmental activities of the Statement of Net Position.	
Bonds payable, at maturity	(116,440,000)
Premium/discount on bonds payable	(5,311,097)
Sales tax payable	(669,965)
Capital lease obligation	(547,561)
Total OPEB liability	(1,847,248)
Accrued long-term interest	(512,950)
Compensated absences	(958,817)
Net pension liability	(10,118,014)
Deferred charge on refunding	1,557,149
Deferred outflows of resources relating to pension activities	1,704,318
Deferred inflows of resources relating to pension activities	(2,102,460)
Deferred inflows of resources relating to OPEB activities	(20,084)
Deferred outflows of resources relating to OPEB activities	326,024
Net position of governmental activities in the Statement of Net Position	$ 5,034,528

CITY OF BELLAIRE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	General Fund	Debt Service	Capital Bond
Revenues			
Taxes:			
Property taxes	$ 13,890,947	$ 7,434,838	$ -
Sales and use taxes	2,479,303	-	-
Franchise taxes	1,241,915	-	-
Fines and forfeitures	388,464	-	-
Licenses and permits	1,150,979	-	-
Charges for services	772,210	-	-
Investment earnings	98,333	12,278	258,333
Intergovernmental	1,183,929	-	-
Other	97,233	-	-
Total Revenues	21,303,313	7,447,116	258,333
Expenditures			
Current:			
General government	5,167,114	-	-
Public safety	9,982,450	-	-
Public works	1,245,689	-	-
Culture and recreation	4,162,504	-	-
Capital outlay	-	-	4,216,640
Debt service:			
Principal	-	5,575,000	-
Interest and other charges	-	4,004,154	-
Bond issuance costs and fees	-	-	17,800
Total Expenditures	20,557,757	9,579,154	4,234,440
Revenues over (under) expenditures	745,556	(2,132,038)	(3,976,107)
Other Financing Sources (Uses)			
Proceeds from issuance of general obligation refunding bonds	-	17,800,000	-
Premium on bonds issued	-	1,870,779	-
Payment to bond refunding escrow agent	-	(19,642,650)	-
Transfers in	624,000	2,145,813	-
Transfers out	(471,000)	-	-
Sale of general capital assets	25,528	-	-
Total Other Financing Sources (Uses)	178,528	2,173,942	-
Net changes in fund balances	924,084	41,904	(3,976,107)
Fund Balances - Beginning	4,650,288	520,775	20,404,525
Fund Balances - Ending	$ 5,574,372	$ 562,679	$ 16,428,418

See notes to the financial statements.

CITY OF BELLAIRE, TEXAS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended September 30, 2020

	Capital Improvement	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes:			
Property taxes	$ -	$ -	$ 21,325,785
Sales and use taxes	-	-	2,479,303
Franchise taxes	-	52,525	1,294,440
Fines and forfeitures	-	33,802	422,266
Licenses and permits	-	-	1,150,979
Charges for services	-	-	772,210
Investment earnings	-	22,630	391,574
Intergovernmental	247,530	1,224,439	2,655,898
Other	-	256,215	353,448
Total Revenues	247,530	1,589,611	30,845,903
Expenditures			
Current:			
General government	-	13,089	5,180,203
Public safety	-	165,214	10,147,664
Public works	-	-	1,245,689
Culture and recreation	-	164,699	4,327,203
Capital outlay	697,367	1,605,170	6,519,177
Debt service:			
Principal	-	-	5,575,000
Interest and other charges	-	-	4,004,154
Bond issuance costs and fees	-	-	17,800
Total Expenditures	697,367	1,948,172	37,016,890
Revenues over (under) expenditures	(449,837)	(358,561)	(6,170,987)
Other Financing Sources (Uses)			
Proceeds from issuance of general obligation refunding bonds	-	-	17,800,000
Premium on bonds issued	-	-	1,870,779
Payment to bond refunding escrow agent	-	-	(19,642,650)
Transfers in	140,000	831,000	3,740,813
Transfers out	-	-	(471,000)
Sale of general capital assets	-	-	25,528
Total Other Financing Sources (Uses)	140,000	831,000	3,323,470
Net changes in fund balances	(309,837)	472,439	(2,847,517)
Fund Balances - Beginning	2,940,010	4,388,054	32,903,652
Fund Balances - Ending	$ 2,630,173	$ 4,860,493	$ 30,056,135

CITY OF BELLAIRE, TEXAS

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

For the Year Ended September 30, 2020

Net changes in governmental fund balances in the Statement of Revenues, Expenditures and Changes in Fund Balances	$ (2,847,517)
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which capital outlay ($4,682,193) is exceeded by depreciation ($5,007,989) in the current period.	(325,796)
Capital improvements transferred to and capitalized by business-type activities but reported in the governmental funds as expenditures.	(1,039,448)
Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain or loss on the sale of the assets. Thus, the change in net position differs from the change in fund balance by the book value of the asset sold.	(122,965)
Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.	18,725
Pension contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	2,172,866
OPEB contributions made after the measurement date are reported as expenditures in the governmental funds and are reported as deferred outflows on the face of the statement of net position.	46,872
Governmental funds report the proceeds of bond sales as another financial source or an increase to fund balance. In contrast, the Statement of Activities treats such proceeds as an increase in long-term liabilities.	(17,800,000)
Governmental funds report repayment of bond principal and capital leases as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction in long-term liabilities. This is the amount of payments made on long-term debt.	24,635,177
Deferred charges on bond refunding, and other debt charges which are treated as expenditures or other sources/uses in the fund basis financial statements are set up as assets and amortized in the Statement of Net Position. The net change for each represents an increase/(decrease) in net position.	
Bond premiums/discounts	(916,836)
Gain/loss on refunding	(556,763)
Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Changes in accrued interest	26,227
Changes in accrued compensated absences	(76,092)
Pension expense for the plan measurement year	(2,361,728)
OPEB expense for the plan measurement year	(168,180)
Change in net position of governmental activities in the Statement of Activities	$ 684,542

CITY OF BELLAIRE, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2020

	Business-type Activities Enterprise
Assets	
Current assets:	
Cash and cash equivalents	$ 1,111,289
Accounts receivable, net	1,492,852
Prepaid items	367,121
Total Current Assets	2,971,262
Non-current assets:	
Capital assets not being depreciated:	
Land	256,148
Construction in progress	2,544,252
Other capital assets, net of depreciation:	
Buildings and improvements	12,039,531
Infrastructure	97,850,646
Vehicles and equipment	4,866,960
Less: accumulated depreciation	(65,125,460)
Total Non-current Assets	52,432,077
Total Assets	55,403,339
Deferred Outflows of Resources	
Deferred outflows related to pension activities	189,369
Deferred outflows relating to OPEB activities	57,081
Total Deferred Outflows of Resources	246,450
Liabilities	
Current liabilities:	
Accounts payable	761,396
Deposits	89,390
Long-term liabilities due in less than one year	29,807
Total Current Liabilities	880,593
Non-current liabilities:	
Long-term liabilities due in more than one year	33,891
Net pension liability	1,221,693
Total OPEB liability	282,853
Total Non-current Liabilities	1,538,437
Total Liabilities	2,419,030
Deferred Inflows of Resources	
Deferred inflows related to pension activities	233,607
Deferred inflows relating to OPEB activities	3,515
Total Deferred Inflows of Resources	237,122
Net Position	
Investment in capital assets	52,432,077
Unrestricted	561,560
Total Net Position	$ 52,993,637

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

	Business-type Activities Enterprise
Operating Revenues	
Water services	$ 5,025,705
Sewer services	2,821,763
Solid waste services	1,647,824
Miscellaneous	110,339
Total Operating Revenues	9,605,631
Operating Expenses	
Personnel services	1,867,103
Supplies and materials	2,651,119
Contractual services	1,287,001
Repairs and maintenance	775,224
Depreciation	2,683,898
Total Operating Expenses	9,264,345
Operating Income	341,286
Non-operating Revenues	
Interest income	7,822
Gain on disposal of capital assets	17,170
Intergovernmental revenue	11,055
Total Non-operating Revenues	36,047
Income Before Capital Contributions and Transfers	377,333
Capital contributions	1,039,448
Transfers out	(3,269,813)
Change in net position	(1,853,032)
Total Net Position - Beginning	55,234,473
Prior period adjustment	(387,804)
Total Net Position - Ending	$ 52,993,637

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

	Business-type Activities
	Enterprise
Cash Flows From Operating Activities	
Receipts from customers and users	$ 9,646,116
Payments to suppliers	(4,267,583)
Payments to employees	(1,771,259)
Net Cash Provided By Operating Activities	3,607,274
Cash Flows From Noncapital Financing Activities	
Intergovernmental revenue	11,055
Transfers to other funds	(3,269,813)
Net Cash Used By Noncapital Financing Activities	(3,258,758)
Cash Flows From Investing Activities	
Interest income	7,822
Gain on sale of capital assets	17,170
Net Cash Provided By Investing Activities	24,992
Net increase in cash and cash equivalents	373,508
Cash and Cash Equivalents - Beginning	737,781
Cash and Cash Equivalents - Ending	$ 1,111,289
Reconciliation of Operating Income to Net Cash Provided By Operating Activities	
Operating income	$ 341,286
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,683,898
(Increase) decrease in accounts receivable	46,810
(Increase) decrease in prepaid expenses	118,042
(Increase) decrease in deferred outflows relating to pension activities	383,283
(Increase) decrease in deferred outflows relating to OPEB activities	(24,462)
Increase (decrease) in accounts payable	327,719
Increase (decrease) in accrued compensated absences	18,624
Increase (decrease) in total OPEB liability	37,426
Increase (decrease) in customer deposits	(6,325)
Increase (decrease) in net pension liability	(522,418)
Increase (decrease) in deferred inflows relating to relating to OPEB activities	1,527
Increase (decrease) in deferred inflows relating to pension activities	201,864
Net Cash Provided By Operating Activities	$ 3,607,274
Non-cash Transactions	
Capital assets transferred to enterprise fund from governmental activities	$ 1,039,448

City of Bellaire

Note 1 - Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Bellaire, Texas (the "City") was incorporated under the laws of the State of Texas on June 24, 1918. The City operates under a "Home Rule Charter" which provides for a "Council-Manager" form of government.

The City Council is the governing body of the City. The City Manager is appointed by a majority vote of the City Council and is responsible to the Council for the administration of all the affairs of the City. The City Manager is responsible for appointment and removal of department directors and employees, supervision and control of all City departments, and preparation of the annual budget.

The City provides the following services: public safety to include police, fire, and emergency medical services; streets; sanitation; water and sewer services; recreation; public improvements; planning and zoning; and general administration.

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared after considering the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the City's financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the City is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the City's financial reporting entity status is that of a primary government are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

B. Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information about the City as a whole. These statements include all activities of the primary government. *Governmental activities,* which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities,* which rely to a significant extent on fees and charges to external customers for support.

C. Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the City's enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

Note 1 - Summary of Significant Accounting Policies (continued)

C. Basis of Presentation - Government-Wide Financial Statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the City's water and wastewater functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

D. Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category - governmental and proprietary - are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

The City reports the following governmental funds:

The *general fund* is used to account for and report all financial resources not accounted for and reported in another fund. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public works, and culture and recreation. The general fund is always considered a major fund for financial reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all long-term debt of the City. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for financial reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from the sale of bonds and related interest earnings for capital improvement projects. The capital projects funds include the capital improvement fund, which accounts for those projects funded by tax revenue; the capital bond fund, which includes those projects funded with bond proceeds; the metro fund; and the vehicle and equipment replacement fund, which includes those projects funded with revenue from other governmental sources. The capital bond fund and the capital improvement fund are considered major governmental funds for financial reporting purposes. The metro fund and vehicle and equipment replacement fund are considered non-major funds for financial reporting purposes.

The *special revenue fund* is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The special revenue fund is considered s non-major fund for reporting purposes.

The City reports the following proprietary funds:

The *enterprise fund* is used to account for the operations that provide water and wastewater collection and wastewater treatment, as well as solid waste services. The services are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis will be financed or recovered primarily through user charges. The enterprise fund is considered a major fund for financial reporting purposes.

Note 1 - Summary of Significant Accounting Policies (continued)

D. Basis of Presentation - Fund Financial Statements (continued)

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

E. Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources.* The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

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

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the City.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in privately managed public funds investment pools (“TexPool”, “TexPool Prime”, and “TexSTAR”) and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturities of three months or less when purchased to be cash equivalents.

Cash balances from all funds are combined and invested in money market accounts, investment pools, and U.S. Government securities. Earnings from these investments are allocated to each fund based on month end equity balances in the investment pool.

The City’s local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants*.

2. Investments

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

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, Texas Government Code. In summary, the City is authorized to invest in the following:

- Direct obligations of the U.S. Government
- Fully collateralized certificates of deposit
- Mutual funds of specific type
- Statewide investment pools

3. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when the related liability is incurred (i.e., the purchase method). Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are also recognized as expenditures when utilized.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of four years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are recorded at acquisition value. Major outlays for capital assets and improvements are capitalized as projects are constructed. The cost of a significant portion of the capital assets in the infrastructure category has been estimated based on management's estimated historical cost.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

4. Capital Assets (continued)

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effect of capitalization materially impacts the financial statements.

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 of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset	Estimated Useful Lives
Infrastructure	10 to 40 years
Building and improvements	5 to 40 years
Vehicles and equipment	4 to 10 years

5. Deferred Outflows/Inflows of Resources

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

- Deferred outflows of resources for refunding - Reported in the government-wide statement of net position, this deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

- Deferred outflows of resources for pension activities - Reported in the government-wide financial statement of net position, this deferred outflow results from pension plan contributions made after the measurement date of the net pension liability and the results of 1) differences between projected and actual earnings on pension plan investments; 2) changes in actuarial assumptions; and 3) differences between expected and actual actuarial experiences. The deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the next fiscal year. The deferred outflows resulting from differences between projected and actual earnings on pension plan investments will be amortized over a closed five-year period. The remaining pension related deferred outflows will be amortized over the expected remaining service lives of all employees active and inactive employees) that are provided with pensions through the pension plan.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

5. Deferred Outflows/Inflows of Resources (continued)

- Deferred outflows of resources for other post-employment benefits (OPEB) – Reported in the government-wide financial statement of net position, these deferred outflows result from OPEB plan contributions made after the measurement date of the net OPEB liability and the results of changes in assumptions and other inputs. The deferred outflows of resources resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the next fiscal year. The other OPEB related outflow will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB benefits.

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

- Deferred inflows of resources for unavailable revenues - Reported only in the governmental funds balance sheet, unavailable revenues from property taxes, paving assessments and ambulance fees arise under the modified accrual basis of accounting. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

- Deferred inflows of resources for pension activities - Reported in the government-wide financial statement of net position, these deferred inflows result primarily from 1) changes in actuarial assumptions and 2) differences between expected and actual actuarial experiences. These pension related deferred inflows will be amortized over the expected remaining service lives of all employees (active and inactive employees) that are provided with pensions through the pension plan.

- Deferred inflows of resources for other post-employment benefits (OPEB) - Reported in the government wide financial statement of net position, these deferred inflows result primarily from differences between expected and actual experience. These amounts will be amortized over the expected remaining service lives of all employees (active and inactive employees) who are provided with OPEB.

6. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation, sick pay benefits and compensatory time, subject to certain limitations and caps. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

7. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, if material. 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, as well as bond issuance costs, 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. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The property tax rate is allocated each year between the general and debt service funds. The full amount estimated to be required for debt service on general obligation debt is provided by the tax along with the interest earned in the debt service fund. Although a portion of the general obligation debt was directly related to the purchase of water and sewer infrastructure, the debt service expenditures are included in the governmental fund financial statements as they are expected to be paid from debt service tax revenues instead of water system revenues.

8. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

10. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Limitations that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

Note 1 - Summary of Significant Accounting Policies (continued)

F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

10. Fund Balance Policies (continued)

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the City that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The City Council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

11. Other Post-Employment Benefits

The City allows retirees to continue participation in the City's health care plan through an opt-in provision. Employees separating employment with the City who have had at least five years of service with the City and who are eligible for Texas Municipal Retirement System retirement benefits at the date of separation may purchase retiree health insurance through the City. Other terminating employees may be eligible for continued medical coverage under applicable federal laws.

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

12. 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 disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

13. Pensions

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

Note 1 - Summary of Significant Accounting Policies (continued)

G. Revenues and Expenditures/Expenses

1. Program Revenues

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

2. Property Taxes

Property taxes are levied during September of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. A penalty of six percent and interest of one percent are added to delinquent taxes on February 1. The penalty amount increases to a maximum of 12 percent on July 1 of each year, with interest continuing to increase at one percent per month until the account is paid. An additional penalty of 15 percent is added in July for attorney costs. There are no discounts allowed on taxes.

3. Proprietary Funds Operating and Non-operating Revenues and Expenses

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 enterprise fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

H. Stewardship, Compliance, and Accountability

Annual budgets are adopted for all funds. The general fund, enterprise fund, and debt service fund are primarily funded through tax revenues and charges for services. Annual appropriations for these funds lapse at fiscal year-end.

The remaining five funds (special revenue fund, vehicle and equipment replacement fund, capital improvement fund, capital bond fund, and METRO fund) are primarily funded by (1) annually appropriated transfers from the general fund and enterprise fund, (2) proceeds from voter approved bond issuances, and (3) restricted revenue sources such as donations, grants, METRO Mobility funds, and municipal court fees. Appropriations for these funds do not lapse at fiscal year-end. Appropriations for the capital project funds are project-length while appropriations for the special revenue fund are based on the available restricted revenue sources mentioned above.

Note 1 - Summary of Significant Accounting Policies (continued)

I. Implementation of New Accounting Standards

The following GASB pronouncements have been implemented by the City in the current fiscal year:

GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. This Statements was issued was in March 2020. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The requirements of this Statement are effective immediately.

The effective dates of the following pronouncements are postponed by 12 months:
- Statement No. 84, Fiduciary Activities
- Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period
- Statement No. 90, Majority Equity Interests
- Statement No. 91, Conduit Debt Obligations
- Statement No. 92, Omnibus 2020
- Statement No. 93, Replacement of Interbank Offered Rates
- Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)
- Implementation Guide No. 2018-1, Implementation Guidance Update—2018
- Implementation Guide No. 2019-1, Implementation Guidance Update—2019
- Implementation Guide No. 2019-2, Fiduciary Activities.

The effective dates of the following pronouncements are postponed by 18 months:
- Statement No. 87, Leases
- Implementation Guide No. 2019-3, Leases.

The following GASB pronouncements have been issued but not yet implemented by the City:

GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32. It was issued in June 2020, but the requirements in (1) paragraph 4 of this Statement as it applies to defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans and (2) paragraph 5 of this Statement are effective immediately.

The requirements in paragraphs 6–9 of this Statement are effective for fiscal years beginning after June 15, 2021. Implementation of this Statement is planned for fiscal year 2022.

GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This statement was issued in May 2020 and provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended. This statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. Implementation of this Statement is planned for fiscal year 2023.

Note 2 - Deposits (Cash) and Investments

As of September 30, 2020, the City reported the following deposits (cash) and investments:

	Fair Value	Weighted Average Maturities (Days)	Credit Rating
Cash	$ 6,657,474	1	N/A
External investment pools:			
TexPool	6,412,687	38	AAAm
TexPool Prime	19,238,176	49	AAAm
TexSTAR	646	39	AAAm
Total Fair Value	$ 32,308,983		
Portfolio weighted average maturity (days)		37	

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations and investing operating funds primarily in short-term securities.

Credit risk. State law and the City's investment policy limit investments to 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. Further, commercial paper must be rated not less than "A-1" or "P-1" or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2020, the City's investments in TexPool, TexPool Prime, and TexSTAR were rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Custodial credit risk - deposits. 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. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2020, the City's bank balance was $6,858,187 and the carrying value of cash on deposit was $6,657,474. Fair values of pledged securities and FDIC insurance exceeded bank balances.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safe keep securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

Local Government Investment Pools

Local government investment pools are pooled investment funds that operates like money market mutual funds for the exclusive benefit of governments within the entities' jurisdiction. These pools typically combine the cash of participating jurisdictions and invest the cash in securities allowed under the state's laws regarding government investments. By pooling funds, participating governments benefit from economies of scale, full-time portfolio management, diversification, and liquidity. As of September 30, 2020, the City's investments included TexPool, TexPool Prime, and TexSTAR local government investment pools. Investments in the investment pools are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk.

The TexPool portfolios are comprised of two investment alternatives: TexPool and TexPool Prime.

Note 2 - Deposits (Cash) and Investments (continued)

Local Government Investment Pools (continued)

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

The Trust Company was incorporated by the State Treasurer by authority of the Texas Legislature as a special purpose trust company with direct access to the services of the Federal Reserve Bank to manage, disburse, transfer, safe keep, and invest public funds and securities more efficiently and economically. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. TexPool uses amortized cost rather than fair value to report net position to compute share prices. The fair value of the position in TexPool is the same as the value of TexPool shares.

Accordingly, the City's investments in TexPool are stated at cost, which approximates fair value. TexPool is currently rated AAAm by Standard and Poor's. This rating indicates excellent safety and a superior capacity to maintain principal value and limit exposure to loss.

TexSTAR is administered by First Southwest Asset Management, Inc. and JPMorgan Chase. TexSTAR is a local government investment cooperative created under the Interlocal Cooperation Act specifically tailored to meet state and local government investment objectives of preservation of principal, daily liquidity and competitive yield. The fund maintains a maturity of 60 days or less, with a maximum of 13 months for any individual security. The fund seeks to maintain a constant dollar objective and fulfills all requirements of Texas PFIA for local government investment pools.

TexSTAR is overseen by a five member governing board made up of three participants and one of each of the program's professional administrators. The responsibility of the board includes the ability to influence operations, designation of management, and accountability for fiscal matters. In addition, the pool has a Participant Advisory Board which provides input and feedback on the operations and direction of the program and Standard and Poor's reviews the pool on a weekly basis to ensure the pool's compliance with its rating requirements. GASB Statement No. 79 allows external investment pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net assets to compute share price. The fair value of the City's position in TexSTAR is the same as the value of TexSTAR shares.

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

Note 3 - Receivables

The following comprise receivable balances at year-end:

	General	Debt Service	Capital Improvement	Non-Major Governmental Funds	Enterprise	Total
Property taxes	$ 187,289	$ 101,091	$ -	$ -	$ -	$ 288,380
Other taxes	601,633	-	-	13,106	-	614,739
Accounts	440,018	-	247,530	-	1,506,446	2,193,994
Assessments	-	-	-	-	2,790	2,790
Due from other governments	-	-	-	217,659	-	217,659
Less allowance	(191,431)	-	-	-	(16,384)	(207,815)
	$ 1,037,509	$ 101,091	$ 247,530	$ 230,765	$ 1,492,852	$ 3,109,747

Note 4 - Capital Assets

The following is a summary of changes in capital assets for governmental activities at fiscal year-end:

	Balance, As Restated 9/30/2019	Additions	Deletions	Balance 9/30/2020
Governmental Activities				
Capital assets, not being depreciated:				
Land and intangibles	$ 6,882,269	$ -	$ -	$ 6,882,269
Construction in progress	5,966,255	3,498,051	(3,565,835)	5,898,471
Total capital assets, not being depreciated	12,848,524	3,498,051	(3,565,835)	12,780,740
Capital assets being depreciated:				
Infrastructure	113,525,485	3,386,433	(1,029,947)	115,881,971
Buildings and improvements	38,041,987	179,402	-	38,221,389
Vehicles and equipment	6,473,000	144,694	(312,584)	6,305,110
Total capital assets being depreciated	158,040,472	3,710,529	(1,342,531)	160,408,470
Less accumulated depreciation for:				
Infrastructure	(47,676,021)	(3,458,507)	1,029,947	(50,104,581)
Buildings and improvements	(8,451,608)	(1,133,886)	-	(9,585,494)
Vehicles and equipment	(3,806,810)	(415,596)	189,619	(4,032,787)
Total accumulated depreciation	(59,934,439)	(5,007,989)	1,219,566	(63,722,862)
Total capital assets being depreciated, net	98,106,033	(1,297,460)	(122,965)	96,685,608
Governmental Activities Capital Assets, Net	$ 110,954,557	$ 2,200,591	$ (3,688,800)	109,466,348
			Plus unspent proceeds	16,428,418
			Plus deferred charge on refunding	1,557,149
			Less associated debt and premiums	(95,603,049)
			Net investment in capital assets	$ 31,848,866

Note 4 - Capital Assets (continued)

Depreciation was charged to governmental functions as follows:

Governmental Activities		
General	$	540,426
Public safety		792,968
Public works		3,375,021
Culture and recreation		299,574
Total governmental activities Depreciation expense	$	5,007,989

Construction in progress and remaining commitments under related construction for general government construction projects at September 30, 2020, are as follows:

Project Description	Authorized Contract	Total in Progress	Remaining Commitment
BBB2016 Streets/Drainage	$ 6,434,016	$ 5,641,216	$ 792,800
Medic Unit	257,255	257,255	-
	$ 6,691,271	$ 5,898,471	$ 792,800

The following is a summary of changes in capital assets for business-type activities at fiscal year-end:

	Balance, As Restated 9/30/2019	Additions	Deletions	Balance 9/30/2020
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ 256,148	$ -	$ -	$ 256,148
Construction in progress	11,625,322	993,648	(10,074,718)	2,544,252
Total capital assets, not being depreciated	11,881,470	993,648	(10,074,718)	2,800,400
Capital assets being depreciated:				
Infrastructure	87,973,928	10,074,718	(198,000)	97,850,646
Buildings and improvements	12,039,531	-	-	12,039,531
Vehicles and equipment	5,260,563	45,800	(439,403)	4,866,960
Total capital assets being depreciated	105,274,022	10,120,518	(637,403)	114,757,137
Less accumulated depreciation for:				
Infrastructure	(52,067,370)	(1,996,270)	198,000	(53,865,640)
Buildings and improvements	(8,114,669)	(233,728)	-	(8,348,397)
Vehicles and equipment	(2,896,926)	(453,900)	439,403	(2,911,423)
Total accumulated depreciation	(63,078,965)	(2,683,898)	637,403	(65,125,460)
Total capital assets being depreciated, net	42,195,057	7,436,620	-	49,631,677
Business-Type Activities Capital Assets, Net	$ 54,076,527	$ 8,430,268	$ (10,074,718)	$ 52,432,077

Note 4 - Capital Assets (continued)

Depreciation was charged to business-type functions as follows:

Business-type Activities		
Water system	$	1,460,134
Sewer system		1,096,548
Solid waste disposal		127,216
Total business-type activities Depreciation expense	$	2,683,898

Construction in progress and remaining commitments under related construction contracts for enterprise fund construction projects at September 30, 2020, are as follows:

Project Description		Authorized Contract		Total in Progress		Remaining Commitment
City-wide scada system	$	127,140	$	127,140	$	-
BBB 2016 water line improvements		2,983,870		2,274,227		709,643
*BBB 2016 wastewater lines		176,935		142,885		34,050
	$	3,287,945	$	2,544,252	$	743,693

**Contract amount is commingled with BBB 2016 Water Line Improvements.*

Note 5 - Long-term Liabilities

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. The governmental activities of compensated absences, capital lease obligations, and other post-employment benefit obligations are generally liquidated by the general fund. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

On November 19, 2019, the City issued $8,950,000 of General Obligation Refunding Bonds, Series 2019A. The City used the proceeds to refund the following two bonds: (1) $5,090,000 of General Obligation Bonds Series 2011, and (2) $4,255,000 of General Obligation Refunding Bonds Series 2012. The City deposited sufficient proceeds in escrow, when combined with future investment earnings thereon, to fully repay the refunded obligations according to their payment terms. The transaction constituted a defeasance of the refunded obligations pursuant to the terms of Chapter 1207, Texas Government Code. Because of such defeasance, the refunded obligations are outstanding only for the purpose of receiving payments from the escrow account and are no longer deemed outstanding obligations of the City. Interest rates range from 2% to 5% on the General Obligation Refunding Bonds, Series 2019A. The refunding generated a gross savings of $969,364 and a net present value savings of $832,559.

On December 10, 2019, the City issued $8,850,000 of General Obligation Refunding Bonds, Series 2019B. The City used the proceeds to refund the following two bonds: (1) $4,065,000 of General Obligation Refunding Bonds Series 2011A, and (2) $5,590,000 of General Obligation Refunding Bonds Series 2011B. The City deposited sufficient proceeds in escrow, when combined with future investment earnings thereon, to fully repay the refunded obligations according to their payment terms. The transaction constituted a defeasance of the refunded obligations pursuant to the terms of Chapter 1207, Texas Government Code. Because of such defeasance, the refunded obligations are outstanding only for the purpose of receiving payments from the escrow account and are no longer deemed outstanding obligations of the City. Interest rates range from 2% to 5% on the General Obligation Refunding Bonds, Series 2019B. The refunding generated a gross savings of $1,132,032 and a net present value savings of $1,040,737.

Note 5 - Long-term Liabilities (continued)

The following is a summary of changes in the City's total long-term liabilities for the year ended September 30, 2020. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

	Beginning Balance, As Restated	Issued and Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds payable:					
General obligation bonds	$ 123,215,000	$ 17,800,000	$ (24,575,000)	$ 116,440,000	$ 5,670,000
Premiums	4,394,261	1,870,779	(953,943)	5,311,097	-
Other liabilities:					
Capital lease	607,738	-	(60,177)	547,561	61,896
Compensated absences	882,725	628,881	(552,789)	958,817	483,607
Sales Tax Payable	669,965	-	-	669,965	-
Total Governmental Activities	$ 129,769,689	$ 20,299,660	$ (26,141,909)	$ 123,927,440	$ 6,215,503
			Long-term liabilities due in more than one year	$ 117,711,937	
Business-type Activities					
Other liabilities:					
Compensated absences	$ 45,074	$ 51,303	$ (32,679)	$ 63,698	$ 29,807
Total Business-type Activities	$ 45,074	$ 51,303	$ (32,679)	$ 63,698	$ 29,807
			Long-term liabilities due in more than one year	$ 33,891	
			Bonds payable associated with governmental capital assets	$ 89,744,391	
			Bonds payable associated with business-type capital assets	26,695,609	
			Total long-term bonds payable associated with capital assets	$ 116,440,000	

Long-term bonds payable at year end was comprised of the following issues:

Description	Interest Rates	Balance
General Obligation Bonds		
Series 2012-Ref	1.00-3.00%	$ 2,760,000
Series 2013	3.00-4.25%	4,470,000
Series 2014	3.00-5.00%	8,600,000
Series 2015	2.50-4.00%	5,805,000
Series 2016-Ref	2.00-2.30%	9,225,000
Series 2017	3.00-5.00%	30,905,000
Series 2017A	2.00-4.00%	10,895,000
Series 2018	3.00-5.00%	11,190,000
Series 2018-Ref	3.00-5.00%	10,920,000
Series 2019	2.00-5.00%	3,945,000
2019A-Ref	2.00-5.00%	8,915,000
2019B-Ref	2.00-5.00%	8,810,000
Total Long-term Bonds Payable		$ 116,440,000

Note 5 - Long-term Liabilities (continued)

Bonds Payable

Annual Debt Service Requirements

The annual requirements to amortize general obligation bonds outstanding are as follows:

Years Ending September 30,	General Obligation Bonds Principal	Interest	Total
2021	$ 5,670,000	$ 3,966,843	$ 9,636,843
2022	5,965,000	3,717,243	9,682,243
2023	6,205,000	3,476,918	9,681,918
2024	6,445,000	3,231,636	9,676,636
2025	6,725,000	2,969,743	9,694,743
2026-2030	31,995,000	10,982,416	42,977,416
2031-2035	24,405,000	6,806,580	31,211,580
2036-2040	20,950,000	3,119,050	24,069,050
2041-2045	8,080,000	333,383	8,413,383
	$ 116,440,000	$ 38,603,812	$ 155,043,812

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital assets. General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds is from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage restrictions consisting of complex regulations with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or are not performed correctly, it could result in a substantial liability to the City. The City engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

Note 5 - Long-term Liabilities (continued)

Capital Lease Obligation

The future minimum lease obligations and net present value of these minimum lease payments as of September 30, 2020, were as follows:

Year Ending September 30	Governmental Activities
2021	$ 77,604
2022	77,604
2023	77,604
2024	77,604
2025	77,604
2026-2028	230,723
Total minimum lease payments	618,743
Less: amount representing interest	(71,182)
Present value of minimum lease payments	$ 547,561

Note 6 - Interfund Transactions

Transfers between funds during the year were as follows:

	Transfers in	Transfers Out
Governmental Funds:		
Individual major governmental funds:		
General	$ 624,000	$ 471,000
Debt service	2,145,813	-
Individual non-major governmental funds:		
Capital improvement	140,000	-
Vehicle and equipment replacement	831,000	-
Total Governmental Funds	3,740,813	471,000
Enterprise Fund:		
Individual major enterprise fund:		
Water, sewer, and solid waste	-	3,269,813
Total Enterprise Fund	-	3,269,813
Total Transfers	$ 3,740,813	$ 3,740,813

The enterprise fund transferred funds to the debt service fund to pay a portion of the principal and interest on general obligation debt used to finance capital improvements used in enterprise activities. The enterprise fund transferred funds to the general fund to cover administrative costs performed for the enterprise fund by the general fund. The general fund and the enterprise fund transferred funds to the vehicle and equipment replacement fund for vehicle and equipment replacements. The enterprise fund transferred funds to the capital improvement fund to fund capital improvement projects. The special revenue fund transferred funds dedicated to specific capital projects to the capital improvement fund to fund the specified capital improvement projects.

Note 7 - Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with several other entities in the Texas Municipal League's Intergovernmental Risk Pool (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three fiscal years.

Note 8 - Contingent Liabilities

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

Liabilities are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of payouts, and other economic and social factors. No claim liabilities are reported at year end.

Note 9 - Employee Retirement System

Texas Municipal Retirement System

Plan Description and Provisions

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

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 one of seven payment options. Members may also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

Note 9 - Employee Retirement System (continued)

Benefits Provided (continued)

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

Employee deposit rate:	7%
Matching ratio (City to employee):	2 to 1
Years required for vesting:	5
Service retirement eligibility:	20 years at any age, 5 years at age 60 and above
Updated service credit:	100% repeating transfers
Annuity increase to retirees:	70% of CPI repeating
Supplemental death benefit – active employees and retirees	Yes

At the December 31, 2019 valuation and measurement date (the most current available), the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	135
Inactive employees entitled to but not receiving benefits	117
Active employees	159
	411

Contributions

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 20.20% and 20.45% in calendar years 2020 and 2019, respectively.

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 NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation:	2.5%
Overall payroll growth	3.50% to 11.50% including inflation
Investment rate of return	6.75%

Note 9 - Employee Retirement System (continued)

Benefits Provided (continued)

Actuarial Assumptions (continued)

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.

These 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, 2019 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. No additional changes were made for the 2019 valuation.

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

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

Asset Class	Target Allocation
Global Equities	35.0%
Core fixed income	10.0%
Non-core fixed income	20.0%
Real estate	10.0%
Real return	10.0%
Absolute return	10.0%
Private equity	5.0%
Total	100.0%

Note 9 - Employee Retirement System (continued)

Benefits Provided (continued)

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability (A) - (B)
Changes for the plan year:			
Service cost	$ 2,114,778	$ -	$ 2,114,778
Interest (on the TPL)	5,595,215	-	5,595,215
Difference between expected and actual experience	333,703	-	333,703
Changes of assumptions	236,065	-	236,065
Contributions - employer	-	2,373,753	(2,373,753)
Contributions - employee	-	812,690	(812,690)
Net investment income	-	10,371,418	(10,371,418)
Benefit payments, including refunds of employee contributions	(3,746,436)	(3,746,436)	-
Administrative expense	-	(58,659)	58,659
Other changes	-	(1,763)	1,763
Net Changes	4,533,325	9,751,003	(5,217,678)
Balance at December 31, 2018	83,707,906	67,150,521	16,557,385
Balance at December 31, 2019	$ 88,241,231	$ 76,901,524	$ 11,339,707

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

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

	1% Decrease to 5.75%	Current Single Discount Rate Assumption 6.75%	1% Increase to 7.75%
City's NPL	$ 22,999,528	$ 11,339,707	$ 1,712,089

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.tmrs.com.

Note 9 - Employee Retirement System (continued)

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

For the fiscal year ended September 30, 2020, the City recognized pension expense of $2,644,702.

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
Difference in expected and actual experience	$ -	$ 41
Difference in projected and actual earnings on pension plan investments	-	2,336,026
Difference in assumption changes	171,742	-
Contributions subsequent to the measurement date	1,721,945	-
Total	$ 1,893,687	$ 2,336,067

Deferred outflows of resources resulting from contributions subsequent to the measurement date of $1,721,945 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year	Net Deferred Outflows (Inflows) of Resources
2021	$ (545,616)
2022	(755,319)
2023	304,360
2024	(1,167,750)
	$ (2,164,325)

Note 10 - Other Post-Employment Benefits

A. City of Bellaire Retiree Health Care Plan

Plan Description

In order to recognize and reward long-term employees, as well as to provide an incentive for those remaining in the City's employment, the City administers a single-employer defined benefit other post- employment benefits (OPEB) plan that will allow the retiree to pay their premium for continuation of the medical and dental insurance coverage. Retirees pay 100% of the premium, afforded a lower rate by participating in the City's plan as opposed to individual purchased insurance; the plan is known as the City Retiree Health Care Plan (the "Plan").

Note 10 - Other Post-Employment Benefits (continued)

A. City of Bellaire Retiree Health Care Plan (continued)

In order to be eligible for this benefit, the retiree must separate from service with at least five years of service with the City and be a current recipient of retirement benefits from Texas Municipal Retirement System (TMRS). The health care benefit of the Plan is available to the spouse and any dependent(s) if they were on the Plan at the beginning of the Plan year in which the employee retires. Furthermore, a dependent is eligible for coverage if they have not reached age 25. Eligibility for coverage for the spouse ends when Medicare coverage begins.

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	8
Inactive plan members entitled to but not yet receiving benefits	0
Active employees	145
Total plan members	153

Total OPEB Liability

The City's total OPEB liability of $1,453,525 was measured as of December 31, 2019, and was determined by an actuarial valuation as of December 31, 2019.

Actuarial assumptions and methods

The City's total OPEB liability was measured at December 31, 2019 using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date: December 31, 2018

Methods and Assumptions:

Actuarial cost method:	Individual entry-age
Discount rate:	2.75% as of December 31, 2019
Inflation:	2.50%
Salary increases:	3.50% to 11.50%, 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 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by the ultimate rates of scale MP-2014 to account for future mortality improvements.
Health care trend rates:	Initial rate of 7.20% declining to an ultimate rate of 4.25% after 15 years

Note 10 - Other Post-Employment Benefits (continued)

A. City of Bellaire Retiree Health Care Plan (continued)

Actuarial assumptions and methods (continued)

Participation rates:

Age at Retirement	Participation Assumption
Less than 50	0%
Between 50 and 55	15%
Between 55 and 64	50%

Other Information:

Notes: The discount rate changed from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019. Additionally, the health care trend rates were updated to reflect the plan's anticipated experience.

Discount Rate

For plans that do not have formal assets, the discount rate should equal the tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date. For the purpose of this valuation, the municipal bond rate is 2.75% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The discount rate was 3.71% as of the prior measurement date.

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Changes in the Total OPEB Liability

Service cost	$ 53,530
Interest on the total OPEB liability	48,145
Difference between expected and actual experience of the total OPEB liability	(5,542)
Changes of assumptions	106,620
Benefit payments	(40,330)
Net change in total OPEB liability	162,423
Total OPEB liability - beginning	1,291,102
Total OPEB liability - ending	$ 1,453,525
Covered payroll	$ 11,412,448
Total OPEB liability as a percentage of covered payroll	12.74%

The ending balance of the Total OPEB Liability was $1,453,525 as of December 31, 2019. Changes of assumptions reflect a change in the discount rate from 3.71% as of December 31, 2018 to 2.75% as of December 31, 2019.

Note 10 - Other Post-Employment Benefits (continued)

A. City of Bellaire Retiree Health Care Plan (continued)

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 to 1.75%	Current Discount Rate Assumption 2.75%	1% Increase to 3.75%
$ 1,587,796	$ 1,453,525	$ 1,331,463

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:

1% Decrease	Current Healthcare Cost Trend Rate Assumption	1% Increase
$ 1,290,877	$ 1,453,525	$ 1,644,846

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

For the year ended September 30, 2020, the City recognized OPEB expense of $136,184. At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 124,228	$ 4,932
Changes assumptions	130,010	-
Contributions subsequent to the measurement date	43,171	-
Total	$ 297,409	$ 4,932

Note 10 - Other Post-Employment Benefits (continued)

A. City of Bellaire Retiree Health Care Plan (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (continued)

Deferred outflows of resources resulting from contributions subsequent to the measurement date of $43,171 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources	
2021	$	34,509
2022		34,509
2023		34,509
2024		34,509
2025		34,509
Thereafter		76,761
Total	$	249,306

B. TMRS Supplemental Death Benefit Fund

Description

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500 each; this coverage is an OPEB. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the TMRS Pension Trust Fund.

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

Inactive plan members or beneficiaries currently receiving benefits	94
Inactive plan members entitled to but not yet receiving benefits	27
Active employees	159
Total plan members	280

Note 10 - Other Post-Employment Benefits (continued)

B. TMRS Supplemental Death Benefit Fund (continued)

Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city (currently 0.20% of covered payroll). The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

Discount Rate

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

Plan Assets

There are no plan assets accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

Actuarial Assumptions

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

Valuation Date:	December 31, 2019
Methods and Assumptions:	
Inflation:	2.50%
Salary increases:	3.50% to 11.50%, including inflation
Discount rate:	2.75% based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019
Retirees' share of benefit related costs:	$0
Administrative expenses:	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

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Note 10 - Other Post-Employment Benefits (continued)

B. TMRS Supplemental Death Benefit Fund (continued)

Actuarial Assumptions (continued)

Mortality rates – service retirees:	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees:	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Other Information:

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

Changes in the Total OPEB Liability

Service cost	$ 18,561
Interest on total OPEB liability	20,443
Difference between expected and actual experience of the total OPEB liability	(6,402)
Changes of assumptions	104,539
Benefit payments	(4,640)
Net change in total OPEB liability	132,501
Total OPEB liability - beginning	544,076
Total OPEB liability - ending	$ 676,577
Covered payroll	$ 11,600,536
Total OPEB liability as a percentage of covered payroll	5.83%

Sensitivity Analysis

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

1% Decrease to 1.75%	Current Discount Rate 2.75%	1% Increase to 3.75%
$ 814,983	$ 676,577	$ 569,142

Note 10 - Other Post-Employment Benefits (continued)

B. TMRS Supplemental Death Benefit Fund (continued)

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

For the year ended September 30, 2020, the City recognized OPEB expense of $54,360 relating to the SDBF plan.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 18,667
Changes assumptions	81,434	-
Contributions subsequent to the measurement date	4,262	-
Total	$ 85,696	$ 18,667

Deferred outflows of resources resulting from contributions subsequent to the measurement date of $4,262 will be recognized as a reduction of the total OPEB liability for the measurement year ending December 31, 2020 (i.e. recognized in the City's fiscal year 2021 financial statements). Other amounts reported as deferred outflows and inflows of resources will be recognized in OPEB expense as follows:

Fiscal Year	Net deferred outflows (inflows) of resources
2021	$ 15,356
2022	15,356
2023	12,076
2024	11,707
2025	8,272
Total	$ 62,767

Note 11 - Prior Period Adjustments

Sales Tax Liability

In the current fiscal year, a consulting firm engaged by the City of Houston identified that a company, moved into the City of Houston tax jurisdiction but continued to file online sales tax returns erroneously identifying the City of Bellaire as its remittance jurisdiction. A letter was sent to the Comptroller dated February 2020 noting that the company had moved from Bellaire to Houston in early 2015. The Comptroller received the letter in April 2020, so the 48-month statute of limitations look-back period was from April 2016 forward. Over that time period the city received sales taxes from the company of $696,504. Of which only $26,539 was received in October of the current fiscal year. The City plans repay the Comptroller's office through equal payments over the next 48 months equal to the $669,965 of Sales Tax intended for the City of Houston.

As a result, the beginning net position of the City's governmental activities, have been restated on the statement of activities and the statement of revenues, expenses, and changes in net position to reflect the total sales tax liability relating to the received overpayment in the prior four fiscal years.

Reclass from Construction In Progress (CIP) to General Expenses

In the current fiscal year, the City reclassed previously capitalized expenditures in CIP in the amount of $2,294,265 for governmental activities and $387,804 for business-type activities and water and sewer fund to general expenses.

	Statement of Activities		Statement of Revenues, Expenses and Changes in Net Position
	Governmental Activities	Business-type Activities	Water and Sewer Fund
Net position at September 30, 2019, as previously reported	$ 7,314,216	$ 55,234,473	$ 55,234,473
Prior Period Adjustments:			
Improperly capitalized CIP	(2,294,265)	(387,804)	(387,804)
Sales tax liability	(669,965)	-	-
Total prior period adjustments	(2,964,230)	(387,804)	(387,804)
Net position at October 1, 2019, as restated	$ 4,349,986	$ 54,846,669	$ 54,846,669

Note 12 - Subsequent Event

Issuance of Bonds

On February 1, 2021, the City issued $6,400,000 of General Obligation Refunding Bonds, Taxable Series 2021. The City used the proceeds to refund the following two bonds: (1) $2,240,000 of General Obligation Refunding Bonds, Series 2012, and $4,105,000 of General Obligation Bonds, Series 2013. The City deposited sufficient proceeds in escrow, when combined with future investment earnings thereon, to fully repay the refunded obligations according to their payment terms. The transaction constituted a defeasance of the refunded obligations pursuant to Chapter 1207, Texas Government Code. Because of such defeasance, the refunded obligations are outstanding only for the purpose of receiving payments from the escrow account and are no longer deemed outstanding obligations of the City. Interest rates range from 1.3% to 2.0% on the General Obligation Refunding Bonds, Taxable Series 2021. The refunding generated a gross savings of $934,110 and a net present value savings of $834,890.

COVID-19

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. On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the COVID-19, which disaster declaration he has subsequently extended. In addition, certain local officials, including the County Judge of Harris County, also declared a local state of disaster.

The Coronavirus Aid, Relief, and Economic Security (CARES) Act provided for reimbursement of eligible expenditures to state, local, and tribal governments through the Coronavirus Relief Fund. Direct payments were made to units of local government with populations exceeding 500,000. Due to our population size, the City was not eligible for a direct payment from the Coronavirus Relief Fund, however, Harris County used $28.5 million of its $426.0 million direct allocation to establish a Small Cities Assistance Program pursuant to which the City could receive up to $1.0 million of pass-thru funding. The City did participate in the Small Cities Assistance Program and received $1.0 million of reimbursement funding from Harris County in fiscal year 2021.

The full extent of the ongoing impact of COVID-19 on the City’s fiscal year 2021 and longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies related to COVID-19, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF BELLAIRE, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (BUDGETARY BASIS)

For the Year Ended September 30, 2020

with comparative actual totals for the year ended *September 30, 2019*

	2020				2019
	Original Budget	Final Budget	Actual	Variance from Final Budget	Actual
Revenues					
Taxes:					
Property taxes	$ 14,095,300	$ 14,095,300	$ 13,890,947	$ (204,353)	$ 13,255,701
Sales and use taxes	2,462,800	2,462,800	2,479,303	16,503	2,406,525
Franchise taxes	1,319,400	1,319,400	1,241,915	(77,485)	1,383,621
Fines and forfeitures	530,000	530,000	388,464	(141,536)	494,247
Licenses and permits	1,302,125	1,302,125	1,150,979	(151,146)	2,080,234
Charges for services	1,215,250	1,215,250	772,210	(443,040)	1,199,541
Investment earnings	180,000	180,000	98,333	(81,667)	227,144
Intergovernmental	4,100	4,100	1,183,929	1,179,829	406,167
Miscellaneous	24,350	24,350	97,233	72,883	40,633
Total Revenues	21,133,325	21,133,325	21,303,313	169,988	21,493,813
Expenditures					
Current:					
General government:					
Administration and finance	4,416,305	4,266,305	4,168,154	98,151	3,859,645
Legal	100,000	100,000	94,150	5,850	96,231
Development services	959,060	959,060	904,810	54,250	862,704
Total General Government	5,475,365	5,325,365	5,167,114	158,251	4,818,580
Public safety:					
Police	6,742,692	6,742,692	6,605,163	137,529	6,422,154
Fire	3,267,730	3,267,730	3,377,287	(109,557)	3,162,074
Total Public Safety	10,010,422	10,010,422	9,982,450	27,972	9,584,228
Public works:	1,370,940	1,370,940	1,245,689	125,251	1,155,367
Culture and recreation:					
Library	753,005	753,005	739,572	13,433	721,021
Parks, recreation, and facilities	3,909,705	3,909,705	3,422,932	486,773	3,772,451
Total Culture and Recreation	4,662,710	4,662,710	4,162,504	500,206	4,493,472
Total Expenditures	21,519,437	21,369,437	20,557,757	811,680	20,051,647
Excess of Revenues Over Expenditures	(386,112)	(236,112)	745,556	981,668	1,442,166
Other Financing Sources (Uses)					
Transfers in	624,000	624,000	624,000	-	624,000
Transfers out	(471,000)	(471,000)	(471,000)	-	(555,000)
Sale of capital assets	8,000	8,000	25,528	17,528	40,514
Total Other Financing Sources (Uses)	161,000	161,000	178,528	17,528	109,514
Changes in fund balance	(225,112)	(75,112)	924,084	999,196	1,551,680
Fund Balances - Beginning	4,650,288	4,650,288	4,650,288	-	3,098,608
Fund Balances - Ending	$ 4,425,176	$ 4,575,176	$ 5,574,372	$ 999,196	$ 4,650,288

Budgetary Compliance

The annual budget must specify appropriations for capital expenditures and for expenditures directed by Council for services and for the operation of city departments, offices and agencies. It must comply with fund requirements of bond covenants.

The City Manager shall submit a proposed annual budget to the Council in sufficient time to permit Council to review and revise it. Said budget shall be prepared by the City Manager and filed with the City Clerk not less than thirty (30) days prior to the time the City Council adopts said budget.

A public hearing shall be held not less than fifteen (15) days subsequent to the time the budget is filed, but prior to the time the City Council adopts said budget and sets the tax levy. Notice of the date, time and place of such public hearing shall be published in a newspaper of general circulation not less than fifteen (15) days prior to the date of the hearing.

Before taxes are levied, but after a public hearing or hearings, Council shall adopt the annual budget. Council may amend the proposed budget but shall not delete or decrease appropriations required for debt service, or by law, and shall not authorize expenditures in excess of the total of estimated income plus funds available from earlier years.

The budget, at the fund level, can be amended at any time with the approval of the City Manager and City Council action. The City Manager can approve department requests for reallocation of funding, within a departmental budget of a respective fund as long as the net difference of the respective fund is zero ($0). Council can authorize all changes to the budget at departmental and/or fund level.

All appropriations shall lapse at the end of the budget year to the extent that they shall not have been expended or lawfully encumbered, except appropriations in the special revenue fund and the capital project funds which have project/program length appropriations which do not lapse at fiscal year-end.

Fire was overbudget by $109,557 due to unbudgeted part-time costs, overtime costs, and retirement contributions to Texas Municipal Retirement System. These three accounts were overbudget by an aggregate of $117,574. These were all over budget due to COVID-19.

CITY OF BELLAIRE, TEXAS

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SIX MEASUREMENT YEARS

	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service cost	$ 2,114,778	$ 1,978,206	$ 1,968,859	$ 1,811,004	$ 1,741,147	$ 1,503,890
Interest (on the total pension liability)	5,595,215	5,415,139	5,119,279	4,929,569	4,884,753	4,804,124
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	333,703	(990,372)	1,024,193	(378,183)	6,060	(1,614,204)
Change in assumptions	236,065	-	-	-	297,433	-
Benefit payments, including refunds of employee contributions	(3,746,436)	(3,860,498)	(3,607,274)	(3,654,340)	(3,777,366)	(3,543,818)
Net change in total pension liability	4,533,325	2,542,475	4,505,057	2,708,050	3,152,027	1,149,992
Total pension liability - beginning	83,707,906	81,165,431	76,660,374	73,952,324	70,800,297	69,650,305
Total pension liability - ending (a)	$ 88,241,231	$ 83,707,906	$ 81,165,431	$ 76,660,374	$ 73,952,324	$ 70,800,297
Plan Fiduciary Net Position:						
Contributions - employer	$ 2,373,753	$ 2,198,609	$ 2,257,697	$ 2,097,990	$ 2,114,994	$ 1,962,762
Contributions - employee	812,690	760,013	757,254	692,734	664,198	615,837
Net investment income (loss)	10,371,418	(2,102,159)	8,621,161	3,994,703	88,677	3,306,075
Benefit payments, including refunds of employee contributions	(3,746,436)	(3,860,498)	(3,607,274)	(3,654,340)	(3,777,366)	(3,543,818)
Administrative expense	(58,659)	(40,639)	(44,687)	(45,133)	(54,014)	(24,518)
Other	(1,763)	(2,123)	(2,266)	(2,432)	(2,668)	(2,838)
Net change in plan fiduciary net position	9,751,003	(3,046,797)	7,981,885	3,083,522	(966,179)	2,313,500
Plan fiduciary net position - beginning	67,150,521	70,197,318	62,215,433	59,131,911	60,098,090	57,794,590
Plan fiduciary net position - ending (b)	76,901,524	67,150,521	70,197,318	62,215,433	59,131,911	60,108,090
Net Pension Liability - Ending (a) - (b)	$ 11,339,707	$ 16,557,385	$ 10,968,113	$ 14,444,941	$ 14,820,413	$ 10,692,207
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	87.15%	80.22%	86.49%	81.16%	79.96%	84.90%
Covered Payroll	$ 11,600,536	$ 10,857,332	$ 10,817,908	$ 9,896,194	$ 9,488,542	$ 8,797,669
Net Pension Liability as a Percentage of Covered Payroll	97.75%	152.50%	101.39%	145.96%	156.19%	121.53%

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

CITY OF BELLAIRE, TEXAS

REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SIX FISCAL YEARS

	2020*	2019*	2018*	2017*	2016*	2015*
Actuarially determined contribution	$ 2,389,912	$ 2,312,573	$ 2,209,346	$ 2,245,626	$ 2,066,791	$ 2,007,691
Contribution in relation of the actuarially determined contribution	$ 2,389,912	$ 2,312,573	$ 2,209,346	$ 2,245,626	$ 2,066,791	$ 2,007,691
Contribution deficiency (excess)	-	-	-	-	-	-
Covered payroll	$ 11,790,823	$ 11,340,284	$ 10,819,297	$ 10,726,161	$ 9,615,818	$ 9,005,248
Contributions as a percentage of covered payroll	20.3%	20.4%	20.4%	20.9%	21.5%	22.3%

* Only six years of information are currently available. The City will build this schedule over the next four-year period.

Notes to Required Supplementary Information – Pension:

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method:	Entry age normal
Amortization method:	Level percentage of payroll, closed
Remaining amortization period:	26 years
Asset valuation method:	10 Year smoothed market; 15% soft corridor
Inflation:	2.5%
Salary increases:	3.50% to 10.5% including inflation
Investment rate of return:	6.75%
Retirement age:	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 – 2014
Mortality:	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB
Other information:	There were no benefit changes during the year

CITY OF BELLAIRE, TEXAS

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
CITY OF BELLAIRE RETIREE HEALTH CARE PLAN
FOR THREE MEASUREMENT YEARS

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 53,530	$ 56,311	$ 49,458
Interest on the total OPEB liability	48,145	36,160	38,745
Difference between expected and actual experience of the total OPEB liability	(5,542)	158,659	772
Changes of assumptions	106,620	7,911	43,811
Benefit payments	(40,330)	(64,487)	(56,852)
Net change in total OPEB liability	162,423	194,554	75,934
Total OPEB liability - beginning	1,291,102	1,096,548	1,020,614
Total OPEB liability - ending	$ 1,453,525	$ 1,291,102	$ 1,096,548
Covered payroll	$ 11,412,448	$ 10,832,283	$ 10,816,464
Total OPEB liability as a percentage of covered payroll	12.74%	11.92%	10.14%

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable.

CITY OF BELLAIRE, TEXAS

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
TMRS SUPPLEMENTAL DEATH BENEFITS FUND
FOR THREE MEASUREMENT YEARS

	2019	2018	2017
Total OPEB Liability			
Service cost	$ 18,561	$ 19,543	$ 16,227
Interest on total OPEB liability	20,443	19,107	18,943
Difference between expected and actual experience of the total OPEB liability	(6,402)	(20,924)	-
Changes of assumptions	104,539	(38,427)	44,720
Benefit payments	(4,640)	(5,429)	(5,409)
Net change in total OPEB liability	132,501	(26,130)	74,481
Total OPEB liability - beginning	544,076	570,206	495,725
Total OPEB liability - ending	$ 676,577	$ 544,076	$ 570,206
Covered payroll	$ 11,600,536	$ 10,857,332	$ 10,817,908
Total OPEB liability as a percentage of covered payroll	5.83%	5.01%	5.27%

Notes to the Required Supplementary Information

Amounts presented are for each measurement year, which end the preceding December 31 of the City's fiscal year end.

Total OPEB liability is calculated using a new methodology and will be presented prospectively in accordance with GASB 75.

Ten years of data should be presented in this schedule but data was unavailable.

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APPENDIX D

FORM OF OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by Johnson Petrov L.L.P., Bond Counsel, upon delivery of the Bonds, assuming no material changes in facts or law

CITY OF BELLAIRE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021A

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

WE HAVE EXAMINED the Constitution and laws of the State of Texas, the Charter of the City, a transcript of original and certified proceedings of the City of Council of the City, including, without limitation, the Bond Ordinance and customary certificates of officers, agents and representatives of the City and other certificates related to the authorization and issuance of the Bonds and the expected use and investment of proceeds of the Bonds and certain other funds of the City and to certain other facts within the knowledge and control of the City. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements contained in such certificates. We have also examined a specimen bond of said series and find same to be in due form and properly executed.

WE ARE OF THE OPINION, based on the foregoing, that the proceedings authorizing the issuance of the Bonds show lawful authority for such issuance under the Constitution and laws of the State of Texas.

WE ARE OF THE OPINION that the Bonds constitute legal, valid and binding obligations of the City, except to the extent that the enforcement of the rights and remedies of any bondholder may be limited by laws relating to bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City, that the Bonds are payable from the levy of a direct annual ad valorem tax, within the limit prescribed by law, as provided in the Ordinance.

WE EXPRESS NO OPINION as to any federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

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

WE ASSUME NO DUTY TO update or supplement our opinions to reflect any facts or circumstances that may come to our attention after the issuance of the Bonds or to reflect any changes in any law that may become effective after the issuance of the Bonds.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and for no other reason or purpose. The opinions expressed herein represent our legal judgment based upon our review of the transcript of proceedings relating to the issuance of the Bonds, certain other materials, and existing law that we, in our sole discretion, deemed relevant to such opinions and in reliance upon the representations and covenants referenced above.

Very truly yours

CITY OF BELLAIRE, TEXAS • GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021A

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