OFFICIAL STATEMENT

Dated October 26, 2021

Ratings:
S&P: "AA"
Moody's: "Aa2"
(see "OTHER INFORMATION - Rating" herein)

NEW ISSUE - Book-Entry-Only

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

$18,380,000
CITY OF CLEBURNE, TEXAS
(Johnson County)
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

Dated Date: November 1, 2021 **Due: February 15, as shown on page 2**
Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS. . . Interest on the $18,380,000 City of Cleburne, Texas, General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds") will accrue from the date of initial delivery to the Initial Purchaser of the Bonds (the "Delivery Date"), will be payable February 15 and August 15 of each year commencing February 15, 2022, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Bonds 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. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. 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 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). The initial Paying Agent/Registrar is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (see "THE BONDS - Paying Agent/Registrar").

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, Texas Government Code, as amended, the City's home rule charter, and are direct obligations of the City of Cleburne, Texas (the "City"), payable from a direct and continuing annual ad valorem tax levied upon all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Ordinance") (see "THE BONDS - Authority for Issuance of the Bonds").

PURPOSE. . . Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings, and (ii) pay the costs of issuance associated with the sale of the Bonds (see "PLAN OF FINANCING – Purpose").

CUSIP PREFIX: 185468
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas, (see "Appendix C - Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the City by Bracewell LLP, Dallas, Texas, as Disclosure Counsel to the City.

DELIVERY. . . It is expected that the Bonds will be available for delivery through the facilities of DTC on November 18, 2021.

SAMCO CAPITAL MARKETS

MATURITY SCHEDULE

CUSIP Prefix: 185468[(1)]

Principal Amount	Maturity Date	Interest Rate	Initial Yield	CUSIP Suffix[(1)]
$ 285,000	2/15/2022	4.500%	0.350%	RV9
115,000	2/15/2023	4.500%	0.550%	RW7
120,000	2/15/2024	4.500%	0.750%	RX5
3,955,000	2/15/2025	4.500%	0.950%	RY3
1,660,000	2/15/2026	4.500%	1.100%	RZ0
1,240,000	2/15/2027	4.500%	1.250%	SA4
1,300,000	2/15/2028	4.500%	1.400%	SB2
1,350,000	2/15/2029	4.500%	1.550%	SC0
1,415,000	2/15/2030	4.500%	1.700%	SD8
1,490,000	2/15/2031	4.500%	1.850%	SE6
1,535,000	2/15/2032	2.000%	2.000%	SF3
1,565,000	2/15/2033	2.100%	2.100%	SG1
1,600,000	2/15/2034	2.200%	2.200%	SH9
750,000	2/15/2035	2.300%	2.300%	SJ5

(Interest to accrue from the Delivery Date.)

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

OPTIONAL REDEMPTION OF THE BONDS . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after February 15, 2032, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption of the Bonds").

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No dealer, broker, salesman or other person has been authorized by the City or the Initial Purchaser to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Initial Purchaser. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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 Financial Advisor. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

NONE OF THE CITY, THE INITIAL PURCHASER, OR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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

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

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The cover page hereof, this page, the schedule and the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Cleburne, Texas (the "City") is a political subdivision and home rule municipal corporation of the State of Texas, located in Johnson County, Texas. The City operates under the City Council/Manager form of government where the Mayor and City Council members are elected for staggered two-year terms. The City covers approximately 31 square miles (see "INTRODUCTION - Description of the City").
THE BONDS	The Bonds are issued as $18,380,000 General Obligation Refunding Bonds, Taxable Series 2021 (the "Bonds"). The Bonds are issued as serial bonds maturing February 15 in each of the years 2022 through 2035, inclusive (see "THE BONDS - Description of the Bonds").
PAYMENT OF INTEREST ON THE BONDS	Interest on the Bonds accrues from the date of initial delivery (the "Delivery Date", anticipated to be November 18, 2021), and is payable February 15 and August 15 of each year, commencing February 15, 2022, until maturity or prior redemption (see "THE BONDS - Description of the Bonds").
AUTHORITY FOR ISSUANCE FOR THE BONDS	The Bonds are authorized and issued pursuant to the Constitution and general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, the City's home rule charter, and an ordinance (the "Ordinance") adopted by the City Council of the City (the "City Council"). (see "THE BONDS - Authority for Issuance of the Bonds").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, upon all taxable property located within the City, as provided in the Ordinance (see "THE BONDS - Security and Source of Payment of the Bonds").
OPTIONAL REDEMPTION OF THE BONDS	The City reserves the right, at its option, to redeem Bonds having stated maturities on or after February 15, 2032, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS – Optional Redemption of the Bonds").
TAX EXEMPTION	Interest on the Bonds is not excluded from gross income for federal income tax purposes under existing law. See "TAX MATTERS" herein.
USE OF PROCEEDS FOR THE BONDS	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's outstanding debt described in Schedule I (the "Refunded Obligations") for debt service savings, and (ii) pay the costs of issuance associated with the sale of the Bonds (see "PLAN OF FINANCING – Purpose").
RATINGS FOR THE BONDS	The Bonds are rated "AA" S&P Global Ratings, a division of S&P Global Inc. ("S&P") and "Aa2" Moody's Investors Service ("Moody's") without regard to credit enhancement. (see "Other Information – Ratings").
BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of DTC 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 within a maturity. 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 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").
PAYMENT RECORD	The City has never defaulted in payment of its general obligation tax debt.

PAYING AGENT/REGISTRAR........ The initial Paying Agent/Registrar of the Bonds is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation		G.O. Tax Debt Outstanding at End of Year[(2)]		Taxable Assessed Valuation Per Capita	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2018	30,938	$ 1,952,443,079	(4)	$ 10,038,413		$ 63,108	0.51%	$ 324
2019	31,144	2,070,117,871	(5)	7,930,532		66,468	0.38%	255
2020	31,352	2,272,049,112	(6)	6,175,000		72,469	0.27%	197
2021	31,561	2,360,512,074	(7)	3,985,000		74,792	0.17%	126
2022	31,771	2,667,973,350	(8)	2,640,000	(3)	83,974	0.10%	83

(1) Derived from the 2010 and 2020 United States Census Bureau data.
(2) Excludes the self-supporting obligations. See: "TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT"
(3) Includes the Bonds and excludes the Refunded Obligations.
(4) Includes taxable incremental value in tax increment districts of approximately $47,025,696 that is not available for the City's general use.
(5) Includes taxable incremental value in tax increment districts of approximately $43,474,948 that is not available for the City's general use.
(6) Includes taxable incremental value in tax increment districts of approximately $49,792,521 that is not available for the City's general use.
(7) Includes taxable incremental value in tax increment districts of approximately $51,023,878 that is not available for the City's general use.
(8) Includes taxable incremental value in tax increment districts of approximately $58,458,182 that is not available for the City's general use.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Scott Cain Mayor	9.5 Years	May 2022	Attorney
Derek Weathers Councilmember District 1	10 Months	May 2022	Property Manager
Christopher Boedeker Mayor Pro Tem Councilmember District 2	2.5 Years	May 2023	Attorney
Mike Mann Councilmember District 3	2.5 Years	May 2023	Property Investor/Realtor
John Warren Councilmember District 4	21.5 Years	May 2022	Retired Juvenile Services Director

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service in Position	Length of Public Service
Steve Polasek [1]	City Manager	5 Years	29.5 Years
Ivy Peterson	City Secretary	2 Years	24 Years
Rhonda Daugherty	Director of Finance	7 Months	25 Years

(1) Mr. Polasek is scheduled to retire effective January 1, 2022. The City is preparing a search for his replacement.

CONSULTANTS AND ADVISORS

Independent Auditors.. Pattillo, Brown & Hill, L.L.P.
Waco, Texas

Bond Counsel .... Bracewell LLP
Dallas, Texas

Financial Advisor.. Hilltop Securities Inc.
Dallas, Texas

OFFICIAL STATEMENT

RELATING TO

$18,380,000
CITY OF CLEBURNE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the $18,380,000 City of Cleburne, Texas, General Obligation Refunding Bonds, Series 2021 (the "Bonds") being offered herein. Except as otherwise indicated herein, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Bonds which will authorize the issuance of the Bonds.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City of Cleburne, Texas (the "City") and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Hilltop Securities, Inc. ("HilltopSecurities"), Dallas, Texas.

DESCRIPTION OF THE CITY. . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City operates under a Council/Manager form of government. The City Council consists of the Mayor and four City Councilmembers who are elected for two-year staggered terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, health and social services, culture recreation, public improvements, planning and zoning, and general administrative services (see APPENDIX A – "General Information Regarding the City").

PLAN OF FINANCING

PURPOSE. . . The Bonds are being issued for the purpose of (i) refunding a portion of the City's outstanding debt listed in Schedule I (the "Refunded Obligations"), for debt service savings, and (ii) to pay the costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their redemption date.

REFUNDED OBLIGATIONS... The principal and interest due on the Refunded Obligations are to be paid on the interest payment dates and the redemptions date thereof from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Initial Purchaser and available funds of the City, if any are necessary, the City will deposit with the Escrow Agent the amount that, together with investment earnings thereon, will be sufficient to make all interest payments coming due on the Refunded Obligations and to accomplish the discharge and final payment of the Refunded Obligations on their respective redemption dates. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase obligations of some or all of the following types: (a) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent (the "Escrowed Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of principal of and interest on the Refunded Obligations.

Public Finance Partners LLC, a nationally recognized consulting firm, will issue its report (the "Report") verifying at the time of delivery of the Bonds to the Initial Purchaser thereof the mathematical accuracy of the schedules that demonstrate the Escrowed Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. Such maturing principal of and interest on the Escrowed Securities will not be available to pay the Bonds (see "VERIFICATION OF MATHEMATICAL COMPUTATIONS").

By the deposit of the Escrowed Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with State law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Report, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrowed Securities and any cash held for such purpose by the Escrow Agent and the Refunded Obligations will not be deemed as being outstanding obligations of the City payable from ad valorem taxes nor for the purpose of applying any limitation on the issuance of debt.

SOURCES AND USES OF FUNDS . . Proceeds from the sale of the Bonds are expected to be expended as follows:

SOURCES OF FUNDS:	
Par Amount of Bonds	$18,380,000.00
Premium	2,051,787.20
TOTAL SOURCES	$20,431,787.20
USES OF FUNDS:	
Deposit to Refunding Escrow Fund	$20,047,731.79
Costs of Issuance	205,401.81
Total Underwriter's Discount	178,653.60
TOTAL USES	$20,431,787.20

THE BONDS

DESCRIPTION OF THE BONDS. . . The Bonds are dated November 1, 2021 (the "Dated Date"), and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery (the "Delivery Date"), will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year commencing February 15, 2022, until maturity or prior redemption. The definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described 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 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").

AUTHORITY FOR ISSUANCE OF THE BONDS. . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT OF THE BONDS. . . The Bonds are payable from the proceeds of a continuing and direct annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the City.

OPTIONAL REDEMPTION OF THE BONDS . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on or after February 15, 2032, in whole or in part, in principal amounts of $5,000, or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of such Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED 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.

With respect to any optional redemption of the Bonds, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may, at the option of the City, state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received or such prerequisites are not satisfied, such notice shall be of no force and effect, the City shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Bonds, will send any notice of redemption relating to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemptions of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC. In such event, DTC may implement, through its book-entry-only system, a redemption of such Bonds held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Bonds from the Beneficial Owners. Any such selection of Bonds within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Bonds or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry-Only System" herein).

DEFEASANCE . . . The Ordinance provides that the City may discharge its obligations to the registered owners of any or all of the Bonds to pay principal, interest and redemption price thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished by either (i) depositing with the Comptroller of Public Accounts of the State of Texas a sum of money equal to principal, premium, if any, and all interest to accrue on the Bonds to maturity or redemption and/or (ii) by depositing with a paying agent or other authorized escrow agent amounts sufficient to provide for the payment and/or redemption of the Bonds; provided that such deposits may be invested and reinvested only in (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United State of America, (b) noncallable obligations of an agency or instrumentality of the United State of America, including obligations that are unconditionally guaranteed or insured by the agent or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, or (c) noncallable obligations of a state or an agency or a county, municipality or other political subdivision of a state that have been refunded and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The foregoing obligations may be in book-entry-only form, and shall mature and/or bear interest in such amounts as will be sufficient to provide for the scheduled payment and/or redemption or the Bonds. If any such Bonds are to be redeemed prior to their respective dates of maturity, provision must have been made for giving notice of redemption as provided in the Ordinance.

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

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance do not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as defeasance securities or those for any other defeasance security will be maintained at any particular rating category.

BOOK-ENTRY-ONLY SYSTEM. . . This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes 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 payments 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 (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

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

Purchases of Bonds under the DTC system must be made by or through direct Participants, which will receive a credit for such purchases 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 or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest 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 Bonds representing their ownership interests in the Bonds, except in the event that use of the book-entry system described herein 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 nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security 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 relating to the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the 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 disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond Bonds will be printed and delivered.

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

Use of Certain Terms in Other Sections of this Official Statement. In reading this Official Statement it should be understood that while the 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 applicable Ordinance will be given only to DTC.

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

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar of the Bonds is Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as 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 of such Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Bonds will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. Interest on the Bonds shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (see "THE BONDS – Record Date for Interest Payment" herein), and such interest shall be paid (i) by check sent by United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Bonds, payments of principal and interest on the Bonds will be made as described in "THE BONDS - Book-Entry-Only System" herein.

TRANSFER, EXCHANGE AND REGISTRATION. . . In the event the Book-Entry-Only System should be discontinued, printed Bond Bonds will be delivered to the registered owners of the Bonds and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed Bonds to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, 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 principal office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of the same series, in denominations of $5,000 or integral multiples thereof for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "THE BONDS - Book-Entry-Only System" for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Record Date for Interest Payment. . . The record date (the "Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the last business day of the month next preceding each interest payment date for the Bonds.

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

Mutilated, Destroyed, Lost and Stolen 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 surrender and cancellation of such mutilated Bond. In the case of any Bond issued in lieu of and substitution for any Bond which has been destroyed, stolen or lost, such new Bond will be delivered only (a) upon filing with the Paying Agent/Registrar evidence satisfactory to the Paying Agent/Registrar to the effect that such Bond has been destroyed, stolen or lost and authenticity of ownership thereof, and (b) upon furnishing the Paying Agent/Registrar with indemnity satisfactory to hold the City and the Paying Agent/Registrar harmless. The person requesting the authentication and delivery of a new Bond must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

Bondholders' Remedies. . . The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of principal, interest or redemption price, as applicable, on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the failure of which materially, adversely affects the rights of the owners, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance do not provide for the appointment of a trustee to represent the interest of the holders of the Bonds upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

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

As noted above, the Ordinance provides that holders of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Bonds 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 remedies would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors.

AMENDMENTS … The City may amend or supplement the Ordinance, without the consent of any registered owner, in order to (i) cure any ambiguity, defect or omission in the Ordinance that does not materially adversely affect the interests of the respective registered owners, (ii) grant additional rights or security for the benefit of the respective registered owners, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance and that shall not materially adversely affect the interests of the respective registered owners, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance as will not be inconsistent with the provisions of the Ordinance and that will not, in the opinion of the City's Bond Counsel, materially adversely affect the interests of the respective registered owners. Additionally, the registered owners of of Bonds aggregating in principal amount a majority of the then outstanding Bonds have the right to approve any amendment that may be deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the registered owners of the Bonds, no amendment shall: (1) make any change in the maturity of any of the outstanding Bonds; (2) reduce the rate of interest borne by any of the outstanding Bonds; (3) reduce the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (4) modify the terms of payment of principal or of interest on outstanding Bonds or impose any condition with respect to such payment; or (5) change the minimum percentage of the principal amount of Bonds necessary for consent to such amendment.

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY. . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Johnson County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates (see "TAX INFORMATION – City and Taxpayer Remedies").

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

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

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

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

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

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

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

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

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, and (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. For tax years beginning prior to January 1, 2022, 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. For tax years beginning on or after January 1, 2022, 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 Tax Code.

TAX INCREMENT REINVESTMENT ZONES. . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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

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

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

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

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

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

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

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

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS. . . The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

TAX RATE LIMITATIONS. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 of Taxable Assessed Valuation to fund operations and to pay debt service. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per each $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY APPLICATION OF TAX CODE . . . City taxes are collected by the Johnson County Tax Office.

The City grants a local option exemption equal to 10% of the market value of all residence homesteads. (See "TAX INFORMATION – Local Option Homestead Exemptions" for a discussion of municipality's limitations to reduce such optional homestead exemption.)

The City grants a local option exemption equal to $6,000 of the market value of the residence homestead of persons 65 years of age or older.

The City has imposed a local option freeze on taxes for persons 65 years of age or older or disabled persons, which freeze went into effect in 2004.

The City has elected to tax nonbusiness personal property.

The City does tax Freeport property and goods-in-transit.

The City does not collect the additional one-half cent sales tax for reduction of ad valorem taxes.

The City does not permit split payments of taxes, and discounts for the early payment of taxes are not allowed.

Tax Increment Finance Zone #1

TIRZ #1 was created on March 27, 2001 to fund infrastructure improvements (streets, water and sewer lines, etc.) to a 1,106-acre industrial park located in the far northwest corner of the City. On August 28, 2001, the City authorized a development agreement with Wal-Mart Stores East, Inc. wherein the City agreed to fund up to $4,206,968 in infrastructure improvements and Wal-Mart agreed to construct a regional distribution center within the industrial park. On March 22, 2005, the City authorized an additional development agreement with Best Bio-Fuels, LLC, who operates a bio-diesel production facility within the industrial park, in which the City agreed to fund up to $335,400 in infrastructure costs. Best Bio-Fuels, LLC has since been acquired by Beacon Energy (Texas) Corp. The agreement continues with the purchaser. TIRZ #1 had a base value of $1,060,228 in 2001 and had an Incremental Value of $15,909,523 for the 2021 tax year.

Tax Increment Finance Zone #2

TIRZ #2 was created to help revitalize the commercial district in downtown Cleburne which had become blighted. TIRZ #2 has not been very active. The City implemented a program in 2008-2009, to incentivize property owners within TIRZ #2 to renovate existing facilities within the TIRZ and funded $15,000 in reimbursements for building façade renovations through this incentive. The City plans to use certain revenue from TIRZ #2 to finance the City's portion of a downtown master plan to be developed in conjunction with the North Central Texas Council of Governments. TIRZ #2 had a base value of $16,508,755 in 2002 and had an Incremental Value of $19,229,438 for the 2021 tax year.

Tax Increment Finance Zone #3

TIRZ #3 was created in February 2013 to promote development in certain geographic area of the City and the City's extraterritorial jurisdiction. This area of the City is expected to be significantly impacted by the completion of the Chisholm Trail Parkway, a toll road into Forth Worth that connects to Highway 121. The City is currently working to guide development in the area that will maximize the potential property values and provide high quality development. TIRZ #3 has a base value of $20,095,273 and has an Incremental Value of $23,319,221 for the 2021 tax year.

Tax Abatement Agreements

The City has adopted a Policy Statement for Tax Abatement to encourage economic development in the City. In order to be considered for tax abatement, a project must meet certain criteria pertaining to job creation or property value enhancement. Projects are eligible for tax abatement on a sliding scale ranging from a 1-year abatement of 25% to a 10-year abatement of 75% of the property's market value. The City currently approximately 9 tax abatement agreements in effect, although several will soon expire. The value of property subject to abatement is shown in Table 1.

380 Agreements

The City entered into a Chapter 380 agreement with Holt Texas in October 2013. This agreement is for 7 years. In years 1 through 4 the City will reimburse Holt Texas an amount equal to 75% of the City's 1% sales taxes collected on qualifying taxable sales. In years 5 through 7 the reimbursement will decrease to 50%. Additionally, in March 2015, the City entered into a Chapter 380 agreement with Centurion American Development Group ("Centurion"), wherein Centurion would receive up to $1 million in ad valorem tax rebates and development fee waivers, conditioned upon Centurion's development of a 68-lot housing subdivision within the City. To date, Centurion has not begun construction and has not received any incentive payments from the City.

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TABLE 1 – ASSESSED VALUATION AND EXEMPTION

2021/22 Market Valuation Established by Johnson County Appraisal District (excluding totally exempt property)		$ 3,018,506,693
Less Exemptions/Reductions at 100% Market Value:		
Local Option Homestead Exemptions	$ 96,369,499	
Local Option Over 65 Homestead Exemptions	14,040,212	
Pollution Control Exemptions	15,356,128	
Other Exemptions	896,865	
Tax Abatement Agreements	36,853,852	
Homestead Cap	120,136,357	
Disabled Veterans Exemptions	14,426,556	
Agricultural Land Use Reductions	52,453,874	350,533,343
2021/22 Taxable Assessed Valuation (1)		$ 2,667,973,350
General Obligation Debt Payable from Ad Valorem Taxes as of 10/15/2021 (2)	$ 35,385,000	
The Bonds	18,380,000	
Total General Obligation Debt Payable from Ad Valorem Taxes as of 10/15/2021		$ 53,765,000
Less: Self-supporting Debt (3)		
Waterworks & Sewer System (4)	$ 11,405,000	
4A Corporation Sales Tax (5)	21,785,000	
The Bonds (Waterworks & Sewer System)	16,585,000	
		$ 49,775,000
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 3,990,000
General Obligation Interest and Sinking Fund as of 9/15/2021		$ 1,985,519
Ratio of Net General Obligation Debt to Taxable Assessed Valuation		0.15%

2022 Estimated Population - 31,771

Per Capita Taxable Assessed Valuation - $83,974

Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $126

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(1) Includes taxable incremental value in tax increment financing districts of approximately $58,458,182 that is not available for the City's general use.

(2) Excludes the Refunded Obligations.

(3) General obligation debt in the amounts shown for which repayment is provided from (i) surplus net revenues of the Waterworks and Sewer System (the "System") and/or (ii) sales tax revenues from the Cleburne 4A Corporation pursuant to a Financing and Use Agreement between the City and the Corporation; provided, this policy is subject to change in the future. In the event payment is not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make those payments.

(4) Expected to be paid for from net revenues of the Cleburne Waterworks and Sewer System. See "Table 11 – Computation of Self-Supporting Debt."

(5) Expected to be paid for from sales tax revenues of the Cleburne 4A Corporation pursuant to a Financing and Use Agreement between the City and the Corporation. See "Table 11 – Computation of Self-Supporting Debt."

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2022		2021		2020	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,484,928,699	49.19%	$ 1,200,288,030	45.24%	$ 1,137,862,626	44.03%
Real, Residential, Multi-Family	119,787,141	3.97%	86,142,096	3.25%	86,045,053	3.33%
Real, Vacant Lots/Tracts	52,625,706	1.74%	40,667,893	1.53%	38,035,279	1.47%
Real, Acreage (Land Only)	53,801,061	1.78%	45,506,356	1.72%	45,793,909	1.77%
Real, Farm and Ranch Improvements	96,279,493	3.19%	80,969,117	3.05%	80,128,916	3.10%
Real, Commercial	334,739,558	11.09%	322,028,584	12.14%	311,680,563	12.06%
Real, Industrial	247,493,612	8.20%	250,148,067	9.43%	257,041,048	9.95%
Real, Minerals, Oil and Gas	7,217,436	0.24%	10,139,565	0.38%	23,489,000	0.91%
Real and Tangible Personal, Utilities	77,794,309	2.58%	74,938,745	2.82%	78,452,903	3.04%
Real, Property Inventory	11,727,023	0.39%	1,471,350	0.06%	1,742,091	0.07%
Special Inventory	23,681,425	0.78%	19,566,059	0.74%	19,144,997	0.74%
Tangible Personal, Commercial	151,880,124	5.03%	150,110,413	5.66%	148,361,625	5.74%
Tangible Personal, Industrial	354,771,344	11.75%	369,235,024	13.92%	354,949,251	13.73%
Tangible Personal, Other	-	0.00%	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	1,779,762	0.06%	1,830,211	0.07%	1,608,483	0.06%
Total Appraised Value Before Exemptions	$ 3,018,506,693	100.00%	$ 2,653,041,510	100.00%	$ 2,584,335,744	100.00%
Less: Total Exemptions/Reductions	350,533,343		292,529,436		312,286,632	
Taxable Assessed Value	$ 2,667,973,350		$ 2,360,512,074 (2)		$ 2,272,049,112 (3)	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2019		2018	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 932,509,666	40.18%	$ 879,535,980	39.94%
Real, Residential, Multi-Family	80,676,529	3.48%	75,973,652	3.45%
Real, Vacant Lots/Tracts	33,204,658	1.43%	33,479,276	1.52%
Real, Acreage (Land Only)	46,285,724	1.99%	42,977,647	1.95%
Real, Farm and Ranch Improvements	68,742,595	2.96%	68,664,693	3.12%
Real, Commercial	309,087,157	13.32%	297,562,106	13.51%
Real, Industrial	257,276,360	11.09%	265,424,203	12.05%
Real, Minerals, Oil and Gas	12,710,662	0.55%	10,909,429	0.50%
Real and Tangible Personal, Utilities	74,113,341	3.19%	66,189,267	3.01%
Real, Property Inventory	951,784	0.04%	1,244,940	0.06%
Special Inventory	18,104,595	0.78%	19,000,163	0.86%
Tangible Personal, Commercial	162,196,045	6.99%	156,504,550	7.11%
Tangible Personal, Industrial	323,411,505	13.94%	283,233,648	12.86%
Tangible Personal, Other	-	0.00%	-	0.00%
Tangible Personal, Mobile Homes	1,445,698	0.06%	1,346,654	0.06%
Total Appraised Value Before Exemptions	$ 2,320,716,319	100.00%	$ 2,202,046,208	100.00%
Less: Total Exemptions/Reductions	250,598,448		249,603,129	
Taxable Assessed Value	$ 2,070,117,871 (4)		$ 1,952,443,079 (5)	

Note: Valuations shown are certified taxable assessed values reported by the three Appraisal Districts to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal Districts updates records. Regarding variances between the three districts require some estimates or adjustments to these categories' details.

(1) Includes taxable incremental value in tax increment districts of approximately $58,458,182 that is not available for the City's general use.
(2) Includes taxable incremental value in tax increment districts of approximately $51,023,878 that is not available for the City's general use.
(3) Includes taxable incremental value in tax increment districts of approximately $49,792,521 that is not available for the City's general use.
(4) Includes taxable incremental value in tax increment districts of approximately $43,474,948 that is not available for the City's general use.
(5) Includes taxable incremental value in tax increment districts of approximately $47,025,696 that is not available for the City's general use.

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TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[1]	Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year[2]	Taxable Assessed Valuation Per Capita	Ratio of Net G.O. Tax Debt to Taxable Assessed Valuation	Net G.O. Tax Debt Per Capita
2018	30,938	$ 1,952,443,079 [4]	$ 10,038,413	$ 63,108	0.51%	$ 324
2019	31,144	2,070,117,871 [5]	7,930,532	66,468	0.38%	255
2020	31,352	2,272,049,112 [6]	6,175,000	72,469	0.27%	197
2021	31,561	2,360,512,074 [7]	3,985,000	74,792	0.17%	126
2022	31,771	2,667,973,350 [8]	2,640,000 [3]	83,974	0.10%	83

(1) Derived from the 2010 and 2020 United States Census Bureau data.
(2) Excludes the self-supporting obligations. See: "TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT"
(3) Includes the Bonds and excludes the Refunded Obligations.
(4) Includes taxable incremental value in tax increment districts of approximately $47,025,696 that is not available for the City's general use.
(5) Includes taxable incremental value in tax increment districts of approximately $43,474,948 that is not available for the City's general use.
(6) Includes taxable incremental value in tax increment districts of approximately $49,792,521 that is not available for the City's general use.
(7) Includes taxable incremental value in tax increment districts of approximately $51,023,878 that is not available for the City's general use.
(8) Includes taxable incremental value in tax increment districts of approximately $58,458,182 that is not available for the City's general use.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy[1]	% Current Collections	% Total Collections
2017	$ 0.80402	$0.65366	$ 0.15036	$ 15,133,966	98.54%	99.77%
2018	$ 0.80402	$0.64914	$ 0.15488	$ 15,697,994	98.71%	100.14%
2019	0.80402	0.65265	0.15136	16,644,120	98.66%	99.67%
2020	0.77321	0.63297	0.14024	17,567,620	98.60%	98.60%
2021	0.76009	0.64970	0.11039	17,942,063	94.10% [3]	94.10% [3]
2022	0.69049	0.62974	0.06075	18,422,089 [2]	In Process	

(1) Source City 2020 ACFR
(2) Calculated
(3) Collections as of September, 2021.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
James Hardie Building Products	Building Materials	$ 85,217,445	3.19%
Wal-Mart Stores East	Retail	81,471,871	3.05%
Johns Manville Corp	Insulation Manufacturer	54,643,137	2.05%
Technical Chemical Co.	Chemical Manufacturer	30,747,980	1.15%
Sachem Inc	Chemical Manufacturer	29,201,953	1.09%
Brazos Electric Power Co-op	Electric Utility	27,795,407	1.04%
Oncor Electric Delivery Co LLC	Electric Utility	24,090,911	0.90%
Airgas USA, LLC Central Div	Gas Production	23,616,236	0.89%
BNSF Railway Co.	Railroad	18,025,129	0.68%
One Buena Vista Ltd	Retail	17,508,397	0.66%
		$ 392,318,466	14.70%

Source: Appraisal District

GENERAL OBLIGATION DEBT LIMITATION. . . No general obligation debt limitation is imposed on the City under current State law (see "THE BONDS – Tax Rate Limitation").

TABLE 6 – TAX ADEQUACY

Net Principal and Interest Requirements for Fiscal Year 2022 (1)	$	1,448,622
$0.0545 Tax Rate at 98% Collection Produces	$	1,451,111
Average Net Annual Principal and Interest Requirements, 2022-2035 (1)	$	325,630
$0.0126 Tax Rate at 98% Collection Produces	$	326,827
Maximum Net Principal and Interest Requirements, 2022 (1)	$	1,448,622
$0.0545 Tax Rate at 98% Collection Produces	$	1,451,111

(1) Excludes a portion of the Refunded Obligations. Includes a portion of the Bonds.

TABLE 7 – ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax debt ("Tax Debt") 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 may have issued additional Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Body	2021 Taxable Assessed Valuation	2021 Total Tax Rate	General Obligation Debt as of 10/15/2021	Estimated % Overlapping	Overlapping General Obligation Debt
City of Cleburne	$ 2,667,973,350	$ 0.6905	$ 53,765,000 (1)	100.00%	53,765,000
Cleburne ISD	3,205,132,684	1.4486	182,812,083	75.73%	138,443,590
Johnson County	15,810,596,895	0.3797	18,340,000	15.96%	2,927,064
			$ 254,917,083		$ 195,135,654

Total Direct and Overlapping Debt	$ 195,135,654
Ratio of Direct and Overlapping Tax Supported Debt to Taxable Assessed Valuation	7.31%
Per Capita Overlapping Tax Supported Debt	$ 6,142

(1) Includes self-supporting debt. Excludes the Refunded Obligations and includes the Bonds.

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DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1] Principal	Outstanding Debt Service[1] Interest	Outstanding Debt Service[1] Total D/S	The Bonds Principal	The Bonds Interest	The Bonds Total D/S	Less: W&S Net Rev Self-Supporting Debt Service	Less: Cleburne 4A Corporation Sales Tax Supp. Debt Service[2]	Net General Obligation Debt Service	% of Principal Retired
2022	$ 6,490,000	$ 1,365,726	$ 7,855,726	$ 285,000	$ 511,171	$ 796,171	$ 5,224,748	$ 1,978,526	$ 1,448,622	
2023	5,180,000	1,107,701	6,287,701	115,000	682,453	797,453	4,597,473	1,978,926	508,755	
2024	5,410,000	870,939	6,280,939	120,000	677,165	797,165	4,595,348	1,977,526	505,230	
2025	1,240,000	737,665	1,977,665	3,955,000	585,478	4,540,478	4,350,323	1,977,665	190,155	
2026	1,280,000	699,932	1,979,932	1,660,000	459,140	2,119,140	1,925,060	1,979,932	194,080	47.87%
2027	1,320,000	659,062	1,979,062	1,240,000	393,890	1,633,890	1,441,223	1,979,062	192,668	
2028	1,365,000	613,878	1,978,878	1,300,000	336,740	1,636,740	1,445,710	1,978,878	191,030	
2029	1,415,000	564,151	1,979,151	1,350,000	277,115	1,627,115	1,437,948	1,979,151	189,168	
2030	1,465,000	510,480	1,975,480	1,415,000	214,903	1,629,903	1,442,823	1,975,480	187,080	
2031	1,525,000	453,155	1,978,155	1,490,000	149,540	1,639,540	1,444,998	1,978,155	194,543	73.69%
2032	1,590,000	385,536	1,975,536	1,535,000	100,665	1,635,665	1,446,810	1,975,536	188,855	
2033	1,660,000	315,036	1,975,036	1,565,000	68,883	1,633,883	1,443,668	1,975,036	190,215	
2034	1,735,000	241,431	1,976,431	1,600,000	34,850	1,634,850	1,443,560	1,976,431	191,290	
2035	1,815,000	164,501	1,979,501	750,000	8,625	758,625	571,498	1,979,501	187,128	
2036	1,895,000	84,024	1,979,024	-	-	-	-	1,979,024	-	100.00%
	$ 35,385,000	$ 8,773,218	$ 44,158,218	$ 18,380,000	$ 4,500,616	$ 22,880,616	$ 32,811,186	$ 29,668,831	$ 4,558,817	

(1) Excludes the Refunded Obligations.

(2) Represents the debt service on the General Obligation Bonds, Taxable Series 2016 issued in January 12, 2016.

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/22		$ 1,448,622 (1)
Interest and Sinking Fund Balance, Fiscal Year Ending 9/30/20	$ 2,057,251	
Budgeted I&S Tax Levy	1,762,200	
Interest on Investments	1,000	3,820,451
Estimated Balance, Fiscal Year Ending 9/30/22		$ 2,371,829

(1) Excludes a portion of the Refunded Obligations. Includes the Bonds.

TABLE 10 – AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City does not have any unissued voter authorized general obligation bond authority.

TABLE 11 – COMPUTATION OF SELF-SUPPORTING DEBT (1)

Waterworks and Sewer System General Obligation Debt

	FY 2022 Outstanding Principal(2)	FY 2022 Debt Service (P+I)
Combination Tax and Revenue Refunding Bonds, Series 2013 (3)	$ 10,120,000	$ 4,040,375
Combination Tax and Revenue Certificates of Obligation, Series 2013 (3)	615,000	211,050
Combination Tax and Revenue Certificates of Obligation, Series 2015 (3)	670,000	239,100
The Bonds	16,585,000	734,223
TOTAL	$ 27,990,000	$ 5,224,748
Waterworks and Sewer System Revenue Available for Debt Service, FYE 2020(4)		$ 17,025,728
Less: Waterworks and Sewer System Revenue Bonds Debt Service (5)		2,955,359
Net Revenue Available for Waterworks and Sewer System General Obligation Bonds		$ 14,070,369

Cleburne 4A Corporation Sales Tax General Obligation Debt

	FY 2022 Outstanding Principal(2)	FY 2022 Debt Service (P+I)
General Obligation Bonds, Taxable Series 2016 (6)	$ 21,785,000	$ 1,978,526
TOTAL	$ 21,785,000	$ 1,978,526
4A Corporation Sales Tax Revenue Available for Debt Service, FYE 2020		$ 3,399,846
Less: 4A Corporation Sales Tax Revenue Bonds Debt Service		469,402
Net Revenue Available for 4A Corporation General Obligation Bonds		$ 2,930,445

(1) General obligation debt in the amounts shown for which repayment is provided from (i) surplus net revenues of the Waterworks and Sewer System (the "System") and/or (ii) sales tax revenues from the Cleburne 4A Corporation pursuant to a Financing and Use Agreement between the City and the Corporation; provided, this policy is subject to change in the future. In the event payment is not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make those payments.
(2) Principal outstanding at the beginning of the Fiscal Year.
(3) Excludes the Refunded Obligations.
(4) Excludes depreciation and amortization, but includes interest income and sale of assets income.
(5) The City issued the Waterworks and Sewer System Revenue Refunding Bonds, Series 2021 on October 12, 2021 to refinance certain outstanding waterworks and sewer system revenue bonds for debt service savings. The Waterworks and Sewer System Revenue Refunding Bonds, Series 2021 are expected to be delivered on November 9, 2021. Excludes the refunded debt service, but includes the debt service on the Waterworks and Sewer System Revenue Refunding Bonds, Series 2021.
(6) Payments from the Cleburne 4A Corporation for repayment of the General Obligation Bonds, Taxable Series 2016. The Cleburne 4A Corporation sales tax is 0.5%. Over a period encompassing the last 12 months, the Cleburne 4A Corporation, collected $3,747,961 as reported by the Texas Comptroller of Public Accounts.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City does not anticipate issuing any additional general obligation tax supported debt within the next twelve months.

PENSION PLANS . . . The City of Cleburne participates in two pension plans; Texas Municipal Retirement System (TMRS) an agent-multiple employer traditional, joint contributory, hybrid defined benefit pension plan; and the Cleburne Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan.

Plan Description

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

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

For more information concerning the City's pension plan, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note X.

OTHER POST-EMPLOYMENT BENEFITS . . . The City provides health care benefits for retired employees and their eligible dependents unless the person is eligible for group health benefits coverage through another employer. Employees qualifying for retirement from the City (with at least 25 years of service with the City of Cleburne) may receive City paid health coverage for up to five years after they have retired or reached the age of 65, whichever comes first. An employee can elect retiree coverage only if he/she was covered under the plan at the time of retirement. Similarly, a retiree may elect to cover only those eligible dependents that were covered under the plan at the time the employee retires. Dependent coverage will be paid by the retiree. Employees reaching the age of 60 with 5 years of service may retire from the City; continued benefit coverage is available if paid by the retiree.

For additional information concerning the City's other post-employment benefits (OPEB) obligations, see Appendix B, "Excerpts from the City's Annual Financial Report" - Note XI.

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FINANCIAL INFORMATION

TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2020	2019	2018	2017	2016
Revenues:					
Taxes	$23,472,396	$22,545,954	$21,447,978	$20,850,103	$20,928,433
Licenses and Permits	650,352	505,809	439,811	352,640	320,362
Intergovernmental	116,840	193,011	367,049	35,980	88,526
Charges for Services	10,271,746	9,436,528	8,778,907	7,640,867	7,444,386
Fines	468,254	723,873	744,053	594,495	749,375
Interest Income	262,420	503,034	302,865	147,651	73,622
Miscellaneous	228,270	462,112	540,217	523,582	514,017
Total Revenues	$ 35,470,278	$ 34,370,321	$ 32,620,880	$ 30,145,318	$ 30,118,721
Operating Expenditures:					
General Government	$ 5,443,848	$ 5,443,493	$ 5,337,092	$ 5,359,620	$ 5,264,337
Public Safety	15,549,225	16,183,390	15,740,909	15,507,272	14,996,419
Public Service	5,149,981	5,271,977	5,082,254	5,283,650	5,220,946
Public Works	3,458,367	3,233,492	2,876,066	2,837,886	2,575,030
Sanitation	4,007,970	3,824,769	3,707,548	3,278,055	3,153,492
Miscellaneous	3,413	14,183	13,570	10,776	-
Capital Outlay	3,111,628	1,074,903	763,444	1,901,569	1,607,543
Total Expenditures	$36,724,432	$35,046,207	$33,520,883	$34,178,828	$32,817,767
Excess (Deficiency) of Revenue Over Expenditures	$ (1,254,154)	$ (675,886)	$ (900,003)	$ (4,033,510)	$ (2,699,046)
Other Financing Sources-Net (1)	5,310,649	3,795,379	4,127,612	3,604,902	3,616,696
Fund Balance at Beginning of Year	20,405,335	17,285,842	14,058,233	14,486,841	13,569,191
Fund Balance at End of Year (2)	$24,461,830	$20,405,335	$17,285,842	$14,058,233	$14,486,841

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(1) "Other Financing Sources" consist primarily of transfers in from the Mineral & Lease Royalty Fund, the Water & Sewer Fund, as well as transfers in from other major and non-major governmental funds and revenue generated from the sale of City assets.
(2) The unaudited fund balance for fiscal year ended September 30, 2021 is approximately $23,044,904.

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, as amended, 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. Collections and enforcements are effected through the office of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In 2001, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development. Collection of the additional tax for economic development started in January 2002. The sales tax for economic development is collected solely for the benefit of the City's 4B Economic Development Corporation authorized pursuant to Chapter 505, Texas Local Government Code, as amended. On November 3, 2015 the voters approved an additional one-half of one percent sales and use tax for the benefit of an economic development corporation created by the City pursuant to Chapter 504, Texas Local Government Code, as amended. The City Council created the Cleburne Type A Economic Development Corporation by adoption of a resolution on September 22, 2015. Upon passage of this proposition, the City has now reached the maximum 8 ¼% total Local Sales and Use Tax rate permitted under State law, no portion of which is pledged to the payment of the Bonds.

Fiscal Year Ended 9/30	Total 1% City Collected [1]	Total 4B Corp. Collected [1]	Total 4A Corp. Collected [1]	City Collections % of Ad Valorem Tax Levy	City Collections Equivalent of Ad Valorem Tax Rate	Per Capita
2017	$ 5,533,953	$ 2,766,976	$ 2,766,976	18.28%	$ 0.14328	$ 92.17
2018	5,880,761	2,940,381	2,940,381	18.73%	0.15060	97.73
2019	6,400,220	3,200,110	3,200,110	19.23%	0.15459	105.86
2020	6,597,108	3,298,554	3,298,554	18.78%	0.14518	107.37
2021	7,495,922 [2]	3,747,961 [2]	3,747,961 [2]	20.89%	0.15878	119.76

(1) Source: City Staff.
(2) Collections through September 30, 2021.

State of Texas Sales Tax	6.25%
City Regular Sales Tax	1.00%
Cleburne 4B Corporation Sales Tax	0.50%
Cleburne 4A Corporation Sales Tax	0.50%
TOTAL Sales Tax Rate:	8.25%

INVESTMENTS

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

LEGAL INVESTMENTS… Under State law, the City is authorized to invest in obligations meeting the requirements of the Texas Public Funds Investment Act, Texas Government Code, Chapter 2256, as amended (the "PFIA"), which may include: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) Bonds of deposit and share Bonds meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) Bonds of deposit where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the Bonds of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the Bonds of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above or clause (12) below, which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with SEC Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the SEC that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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 pay no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bear no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

INVESTMENT POLICIES. . . Under State law, the 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 includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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.

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

Under State 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, ending market value and the fully accrued interest of each pooled fund group for the reporting period, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS. . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

As of August 31 2021 the City's investable funds were invested in the following categories:

Description	% of Portfolio	Book Value	% of Portfolio	Market Value
Texas Class	31.53%	$ 43,802,032	31.53%	$ 43,802,032
Logic	25.27%	35,106,878	25.27%	35,106,878
TexStar	10.76%	14,947,065	10.76%	14,947,065
TexPool	5.34%	7,411,230	5.34%	7,411,230
Amegy	27.10%	37,641,821	27.10%	37,641,821
Totals	100.00%	$ 138,909,026	100.00%	$ 138,909,026

RECENT FINANCIAL DEVELOPMENTS – Infectious Disease Outbreak – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration was extended and is still in effect. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed this declaration monthly, most recently on June 4, 2021. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect future property values and/or the collection of sales and other excise taxes, charges, and fees within the City as well as the assets of City pension funds. 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 and the City's operations and maintenance expenses. 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.

TAX MATTERS

THIS DISCUSSION OF MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS IS PROVIDED FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED AS TAX ADVICE TO ANY PARTICULAR INVESTOR. PERSONS CONSIDERING THE PURCHASE OF BONDS ARE URGED TO CONSULT THEIR TAX ADVISORS WITH REGARD TO THE APPLICATION OF U.S. FEDERAL INCOME OR OTHER TAX LAWS (INCLUDING ESTATE AND GIFT TAX LAWS) TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES ARISING UNDER THE LAWS OF ANY STATE, LOCAL, OR FOREIGN TAXING JURISDICTION OR UNDER ANY APPLICABLE TAX TREATY.

The following discussion is a summary of the material U.S. federal income tax considerations relevant to the purchase, ownership and disposition of the Bonds offered in this offering. This summary is based upon current provisions of the Code, existing and proposed Treasury Regulations promulgated thereunder, rulings and pronouncements of the Internal Revenue Service (the "Service"), and judicial decisions, all as in effect on the date hereof, and all of which are subject to change, possibly on a retroactive basis, at any time by legislative, judicial or administrative action. The City cannot assure you that the Service will not challenge the conclusions stated below, and no ruling from the Service or an opinion of counsel has been or will be sought on any of the matters discussed below.

This discussion is limited to holders who are the initial purchasers of the Bonds for cash at their original purchase price, which will equal the first price to the public (not including bondhouses, brokers or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers) at which a substantial amount of the Bonds is sold for cash (the "Issue Price") and who hold the Bonds as capital assets within the meaning of Section 1221 of the Code (generally, property held for investment). This summary does not address all U.S. federal income tax consequences relative to a holder's particular circumstances, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders subject to special rules, including, without limitation: U.S. expatriates and former citizens or long-term residents of the United States; persons subject to the alternative minimum tax; U.S. Holders (as defined below) whose functional currency is not the U.S. dollar; persons holding the Bonds as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction, or other integrated investment; banks, insurance companies or other financial institutions; real estate investment trusts or regulated investment companies; brokers, dealers or traders in securities or currencies; "controlled foreign corporations", "passive foreign investment companies" and corporations that accumulate earnings to avoid U.S. federal income tax; S corporations, partnerships and other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein); persons subject to special accounting rules as a result of any items of gross income with respect to the Bonds being taken into account in an applicable financial statement; tax-exempt organizations or governmental organizations; persons who elect to use a mark-to-market method of accounting for security holdings; and individual retirement accounts or qualified pension plans. This summary does not address all U.S. federal income tax consequences relevant to a holder's particular circumstances and does not discuss the effect of any U.S. state, local income or other tax laws, any U.S. federal estate and gift tax laws, or any non-U.S. tax laws.

If a partnership (including an entity or arrangement treated as a partnership for U.S. federal income tax purposes) holds the Bonds, the tax treatment of such partnership or a partner of such partnership generally will depend upon the tax status of the partner and the tax treatment of the partnership. **Partnerships acquiring Bonds and partners of partnerships acquiring the Bonds should consult their own tax advisors about the U.S. federal income tax consequences to them of the purchase, ownership and disposing of the Bonds.**

Consequences to U.S. Holders

The following discussion summarizes certain material U.S. federal income tax consequences to U.S. holders of the purchase, ownership, and disposition of the Bonds. As used herein "U.S. holder" means a beneficial owner of a Bond who or that is for U.S. federal income tax purposes: (i) an individual who is a citizen of the United States or resident alien of the United States; (ii) a corporation or other entity taxable as a corporation created or organized in or under the laws of the United States or any state thereof including the District of Columbia; (iii) an estate the income of which is subject to U.S. federal income taxation regardless of its source; or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons (as defined in the Code) have the authority to control all substantial decisions of the trust, or if a valid election is in effect under U.S. Treasury Regulations to be treated as a United States person.

Interest on the Bonds -- A U.S. Holder will be required to recognize as ordinary income all interest paid or accrued on the Bonds in accordance with such U.S. Holder's method of accounting for U.S. federal income tax purposes.

Original Issue Discount -- If the Issue Price of the Bonds of any stated maturity is less than their face amount by more than one quarter of one percent times the number of complete years to maturity, the Bonds of such maturity will be treated as being issued with "original issue discount." The amount of the original issue discount will equal the excess of the principal amount payable on such Bonds at maturity over the Issue Price, and such amount will be amortized over the life of the Bonds using the "constant yield method" provided in the U.S. Treasury Regulations. The original issue discount accrues under the constant yield method and the beneficial owners of the Bonds, regardless of their regular method of accounting, must include such accrued amount in their gross income as interest. This can result in taxable income to the beneficial owners of such Bonds that exceeds actual cash interest payments to the beneficial owners in a taxable year.

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

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

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Bond -- A U.S. Holder generally will recognize gain or loss on the sale, exchange, redemption, retirement or other taxable disposition of a Bond measured by the difference, if any, between (i) the amount of cash and the fair market value of any property received (except to the extent that the cash or other property received in respect of a Bond is attributable to accrued and unpaid interest on the Bond, which amount will be taxable as ordinary interest income to the extent not previously included in gross income) and (ii) the U.S. Holder's adjusted tax basis in the Bond.

A U.S. Holder's adjusted tax basis in the Bonds generally will equal the amount the U.S. Holder paid for the Bonds, increased by any original issue discount previously included in the holder's income and decreased by the amount of the Bond premium that has been previously amortized. Any gain or loss will be capital gain or loss and will be treated as long-term capital gain or loss if, at the time of the sale, exchange, redemption, retirement or other taxable disposition, the Bonds have been held by the U.S. Holder for more than one year. Long-term capital gains recognized by non-corporate U.S. Holders, including individuals, generally will be subject to a reduced rate of tax. The deductibility of capital losses is subject to certain limitations. U.S. Holders of the Bonds should consult their tax advisors regarding the treatment of capital gains and losses.

Information Reporting and Backup Withholding -- Information reporting generally will apply to payments of interest on, and the proceeds of the sale, exchange, redemption, retirement or other disposition of, the Bonds held by U.S. Holders, and backup withholding may apply unless the U.S. Holder provides the applicable withholding agent with a taxpayer identification number, certified under penalties of perjury, as well as certain other information or otherwise establishes an exemption from backup withholding. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liability and the U.S. Holder timely provides the required information or appropriate claim to the Service.

Tax Consequences to Non-U.S. Holders

The following discussion summarizes certain material U.S. federal income tax consequences to Non-U.S. Holders of the purchase, ownership and disposition of the Bonds. For purposes of this discussion, a "Non-U.S. Holder" is a beneficial owner of Bonds that is neither classified for U.S. federal income tax purposes as a partnership nor is a U.S. Holder (as defined above).

Interest on the Bonds -- Subject to the discussions below regarding backup withholding and FATCA withholding, payments of interest on a Bond to a Non-U.S. Holder that are not effectively connected with such Non-U.S. Holder's U.S. trade or business generally will not be subject to U.S. federal income tax and will be exempt from U.S. federal withholding tax under the portfolio interest exemption provided that:

- the Non-U.S. Holder is not an actual or constructive owner of 10% or more of the total combined voting power of all classes of the City's voting stock;

- the Non-U.S. Holder is not a controlled foreign corporation for U.S. federal income tax purposes that is related, directly or indirectly, to the City through stock ownership); and

- the Non-U.S. Holder is not a bank that acquired the Bonds in consideration for the extension of credit made pursuant to a loan agreement entered into in the ordinary course of its trade or business.

- (i) the Non-U.S. Holder provides its name and address and certifies, under penalties of perjury, that it is not a United States person as defined under the Code (which certification may be made on an Internal Revenue Service Form W-8BEN or W-8BEN-E (or other applicable form)); (ii) the non-U.S. Bondholder holds its Bonds through certain foreign intermediaries and it satisfies the certification requirements of applicable Treasury Regulations; or (iii) a securities clearing organization, bank, or other financial institution that holds customers' securities in the ordinary course of its trade or business holds the Bonds on behalf of the Non-U.S. Holder and such securities clearing organization, bank, or other financial institution satisfies the certification requirements of applicable Treasury Regulations.

If the payments of interest on a Bond are effectively connected with the conduct by a Non-U.S. Holder of a trade or business in the United States (and, in the event that an income tax treaty is applicable, if the payments of interest are attributable to a U.S. permanent establishment maintained by the Non-U.S. Holder), such payments will not be subject to withholding of U.S. federal income tax so long as the Non-U.S. Holder provides the applicable withholding agent with a properly completed Internal Revenue Service Form W-8ECI (or other applicable form), signed under penalties of perjury. However, such payments will be subject to U.S. federal income tax on a net income basis at regular graduated income tax rates generally in the same manner as if it were a U.S. Holder (as defined above), subject to any modifications provided under an applicable income tax treaty. In addition, if the non-U.S. Holder is a foreign corporation for federal income tax purposes, such payments of interest may also be subject to a branch profits tax at the rate of 30% (or lower applicable treaty rate) of such holder's earnings and profits for the taxable year, subject to certain adjustments, including earnings and profits from an investment in the Bonds, that are effectively connected with its conduct of a trade or business in the United States.

A non-U.S. Holder that does not qualify for the exemption from U.S. federal withholding tax under the preceding paragraphs generally will be subject to U.S. federal withholding tax at the rate of 30% on payments of interest on the Bonds, unless such non-U.S. Holder provides the applicable withholding agent with a properly executed Internal Revenue Service Form W-8BEN or W-8BEN-E (or other applicable form) claiming exemption from or a reduction of withholding under the benefit of an applicable tax treaty. Income tax treaties may provide for a lower rate of withholding tax, exemption from or reduction of branch profits tax, or other rules different from those described above. Non-U.S. Bondholders should consult with their advisors regarding any applicable income tax treaties.

Sale, Exchange, Redemption, Retirement or Other Taxable Disposition of a Bond -- Subject to the discussions below on backup withholding and FATCA withholding, any gain realized by a Non-U.S. Holder on the sale, exchange, redemption, retirement or other taxable disposition of a Bond generally will not be subject to U.S. federal income tax or withholding tax, unless:

- Such gain is effectively connected with the conduct by such Non-U.S. Holder of a U.S. trade or business in the United States (and, in the event that an income tax treaty is applicable, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder in the United States),

- the Non-U.S. Bolder is an individual who is present in the United States for 183 days or more in the taxable year of disposition and certain other conditions are satisfied.

If a Non-U.S. Holder is engaged in a trade or business in the United States and gain on a Bond is effectively connected with the conduct of such trade or business (and, if an income tax treaty applies, such gain is attributable to a permanent establishment maintained by the Non-U.S. Holder within the United States), the Non-U.S. Holder will be subject to U.S. federal income tax at regular graduated income tax rates in the same manner as if it were a U.S. Holder, subject to any modification provided under an applicable income tax treaty. If the Non-U.S. Holder is a foreign corporation for U.S. federal income tax purposes, such gain may also be subject to a branch profits tax at the rate of 30%, or lower applicable treaty rate, of its earnings and profits for the taxable year, subject to adjustments, that are effectively connected with its conduct of a trade or business in the United States.

If a Non-U.S. Holder is an individual who is present or deemed to be present in the United States for 183 days or more during the taxable year of the disposition of a Bond and certain other requirements are met, such Non-U.S. Holder generally will be subject to U.S. federal income tax at a flat rate of 30% (unless a lower applicable income tax treaty rate applies), on any such gain.

Information Reporting and Backup Withholding -- Payments to Non-U.S. Holders of interest on a Bond, and amounts withheld from such payments, if any, generally will be required to be reported to the Service and to the Non-U.S. Holder. Copies of these information returns also may be made available to the tax authorities of the country in which the Non-U.S. Holder resides or is established under the provisions of a specific treaty or agreement. These reporting requirements apply regardless of whether withholding was reduced or eliminated by an applicable income tax treaty. Backup withholding generally will not apply to payments of principal and interest on Bonds if the Non-U.S. Holder furnishes a certification as to its Non-U.S. status or the Non-U.S. Holder otherwise establishes an exemption, provided that the applicable withholding agent does not have actual knowledge or reason to know that the Non-U.S. Holder is a United States person.

Payment of the proceeds of a disposition of a Bond effected by the U.S. office of a United States or foreign broker will be subject to information reporting and backup withholding unless the Non-U.S. Holder properly certifies under penalties of perjury as to its foreign status and certain other conditions are met or the Non-U.S. Holder otherwise establishes an exemption. Information reporting requirements and backup withholding generally will not apply to any payment of the proceeds of the disposition of a Bond effected outside the United States by a foreign office of a broker. However, unless such a broker has documentary evidence in its records of the Non-U.S. Holder's foreign status and certain other conditions are met, or the Non-U.S. Holder otherwise establishes an exemption, information reporting will apply to a payment of the proceeds of the sale of a Bond effected outside the United States by such a broker if it has certain relationships with the United States.

U.S. backup withholding tax is not an additional tax. Any amount withheld under the backup withholding rules is allowable as a credit against the U.S. Holder's U.S. federal income tax liability, if any, and a refund may be obtained if the amounts withheld exceed the U.S. Bondholder's actual U.S. federal income tax liability and the U.S. Holder timely provides the required information or appropriate claim to the Service.

FATCA Withholding

The Foreign Account Tax Compliance Act, or "FATCA," imposes a 30% withholding tax on certain types of payments made to foreign financial institutions, or "FFIs," and certain other non-U.S. entities, unless certain due diligence, reporting, withholding, and certification requirements are satisfied. As a general matter, FATCA imposes a 30% withholding tax on interest payments on a Bond, and (subject to the proposed United States Treasury regulations discussed below) payments of gross proceeds from the sale or other disposition of a Bond, that are made to an FFI or non-financial foreign entity unless (i) the foreign entity is an FFI that undertakes certain due diligence, reporting, withholding, and certification obligations, or in the case of an FFI that is a resident in a jurisdiction that has entered into an intergovernmental agreement to implement FATCA, the entity complies with the diligence, reporting, and other requirements of such an agreement, (ii) the foreign entity is not an FFI and either certifies that it does not have any "substantial" U.S. owners or furnishes identifying information regarding each substantial U.S. owner, or (iii) the foreign entity qualifies for an exemption from these rules. In certain cases, a "substantial" U.S. owner can mean an owner of any interest in the foreign entity.

As noted above, withholding under FATCA can apply to payments of gross proceeds from the sale or other disposition of a Bond, in addition to interest payments. However, United States Treasury regulations have been proposed that would entirely eliminate FATCA withholding on payments of gross proceeds. Taxpayers generally may rely on these proposed United States Treasury regulations until the promulgation of final United States Treasury regulations.

Prospective investors are encouraged to consult with their tax advisors regarding the possible implications of FATCA on their investment in the Bonds.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("EMMA") at http://emma.msrb.org/.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 14 and in Appendix B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables within six months after the end of each fiscal year ending in and after 2021 and, if not submitted as part of such annual financial information, the City will provide audited financial statements when and if available. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information included in the above-referenced tables by the last day of March in each year, and audited financial statements for the preceding fiscal year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will file notice of the change (and of the date of the new fiscal year end) with the MSRB prior to the next date by which the City otherwise would be required to provide financial information and operating data as set forth above.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by Securities and Exchange Commission Rule 15c2-12 (the "Rule").

NOTICE OF CERTAIN EVENTS…The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, 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 of final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-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) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (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 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; and (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

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

AVAILABILITY OF INFORMATION. . . he City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its 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 holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. 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. . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with the Rule except as follows: the City became obligated to file material events notices for incurrences of financial obligations by the City with the nationally recognized municipal securities information repository ("NRMSIR") in an offering that took place on November 7, 2019. Due to an administrative oversight, a material event notice was not timely filed with the NRMSIR relating to the City's Waterworks and Sewer System Revenue Refunding Bonds, Series 2020, which were delivered on June 9, 2020. All material events notices have since been filed, including a notice of late filing. The City will implement procedures to ensure timely filing of all future incurrences of financial obligations..

VERIFICATION OF MATHEMATICAL CALCULATIONS

Public Finance Partners LLC will deliver to the City, on or before the settlement date of the Bonds, its Report indicating that it has verified, the mathematical accuracy of computations of the adequacy of the cash and the maturing principal of and interest on the Escrowed Securities, to pay, when due or upon early redemption, the 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.

The Report of Public Finance Partners LLC will be relied upon by Bond Counsel in rendering its opinion with respect to the defeasance of the Refunded Obligations.

OTHER INFORMATION

RATING

The Bonds have been rated "AA" with a stable outlook by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") and "Aa2" by Moody's Investors Service ("Moody's") without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the views of such organization and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by the respective rating company, if in the judgment of 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.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

The sale of the Bonds has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the Bonds have not been qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been qualified under the securities acts of any jurisdiction. The City assumes no responsibility for qualification of the Bonds under the securities laws of any jurisdiction in which the Bonds may be sold, assigned, pledged, hypothecated or otherwise transferred. This disclaimer of responsibility for qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments and investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency (see "OTHER INFORMATION - Rating" herein). In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. 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.

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to any such persons or entities or which might otherwise limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Bonds for such purposes.

LEGAL OPINIONS

The City will furnish the Initial Purchaser a transcript of certain proceedings incident to the authorization and issuance of the Bonds. Such transcript will include a certified copy of the approving opinion of the Attorney General of the State of Texas to the effect that the Bonds are valid and legally binding obligations of the City. The City will also furnish the approving legal opinion of Bond Counsel to the effect that based upon an examination of such transcript, the Bonds are valid and legally binding obligations of the City under the Constitution and the laws of the State of Texas, except to the extent that enforcement of the rights and remedies of the registered owners of the Bonds may be limited by laws relating to governmental immunity, bankruptcy, reorganization or other similar laws of general application affecting the rights of creditors of political subdivisions such as the City. The legal opinion will accompany the Bonds deposited with DTC or will be printed on or attached to the Bonds in the event of discontinuance of the Book-Entry-Only System.

Though it represents the Financial Advisor and investment banking firms from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in the issuance of the Bonds. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Notice of Sale and Bidding Instructions, the Official Bid Form or the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Bonds in the Official Statement to verify that such description conforms to the provisions of the Ordinance. Bracewell LLP also serves as disclosure counsel to the City.

The legal opinion to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction 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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

HilltopSecurities is employed as Financial Advisor to the City in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

INITIAL BOND PURCHASER

After requesting competitive bids for the Bonds, the City accepted the bid of SAMCO Capital Market (the "Initial Purchaser") to purchase the Bonds at the interest rates shown on page 2 of the Official Statement at a price of 100% of par plus a cash premium of $1,873,133.60. The Initial Purchaser can give no assurance that any trading market will be developed for the Bonds after their sale by the City to the Initial Purchaser. The City has no control over the price at which the Bonds are subsequently sold and the initial yield at which the Bonds will be priced and reoffered will be established by and will be the responsibility of the Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City'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 discussed in such forward-looking statements.

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

CERTIFICATION OF THE OFFICIAL STATEMENT

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

The Ordinance authorizing the issuance of the Bonds also approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Bonds by the Initial Purchaser.

/s/ Scott Cain
Mayor
City of Cleburne, Texas

ATTEST:

/s/ Ivy Peterson
City Secretary
City of Cleburne, Texas

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SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Refunding Bonds, Series 2013

Original Dated Date	Maturity 15-Feb	Principal Amount Outstanding	Interest Rates	Call Date
12/15/2013	2025	$ 4,430,000.00	5.000%	2/15/24
	2026	470,000.00	3.500%	2/15/24
		$ 4,900,000.00		

Combination Tax and Revenue Certificates of Obligation, Series 2013

Original Dated Date	Maturity 15-Feb	Principal Amount Outstanding	Interest Rates	Call Date
12/15/2013	2025	$ 220,000.00	3.500%	2/15/24
	2026	590,000.00	3.500%	2/15/24
	2027	610,000.00	3.750%	2/15/24
	2028	635,000.00	4.000%	2/15/24
	2029	660,000.00	5.000%	2/15/24
	2030	695,000.00	5.000%	2/15/24
	2031	730,000.00	5.000%	2/15/24
	2032	770,000.00	5.000%	2/15/24
	2033	810,000.00	5.000%	2/15/24
	2034	850,000.00	4.500%	2/15/24
		$ 6,570,000.00		

Combination Tax and Revenue Certificates of Obligation, Series 2015

Original Dated Date	Maturity 15-Feb	Principal Amount Outstanding	Interest Rates	Call Date
9/15/2015	2025	$ 370,000.00	4.000%	2/15/24
	2026	535,000.00	4.000%	2/15/24
	2027	555,000.00	4.000%	2/15/24
	2028	580,000.00	4.000%	2/15/24
	2029	600,000.00	4.000%	2/15/24
	2030	625,000.00	4.000%	2/15/24
	2031	655,000.00	4.000%	2/15/24
	2032	680,000.00	4.000%	2/15/24
	2033	705,000.00	4.000%	2/15/24
	2034	735,000.00	4.000%	2/15/24
	2035	760,000.00	4.000%	2/15/24
		$ 6,800,000.00		

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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The City

Location and Transportation

The City of Cleburne, Texas (the "City") is the, County Seat of Johnson County, Texas, and is located approximately 30 miles south of Fort Worth and 55 miles southwest of Dallas. U. S. Highway 67 links the City with Dallas while Texas 174 via Interstate 35 links the City with Fort Worth and Texas 171 via Interstate 35 links the City with Waco to the south. The State of Texas has completed a highway by-pass around the City which links U.S. State Highway 67 on the southwest side of the City to State Highway 174 on the north side of town. This relieves the City of certain truck traffic and other traffic which previously passed through the central business district. In mid 2014, the extension of State Highway 121 (Chisolm Trail Parkway) connecting to U.S. Highway 67 was completed providing direct access to south Fort Worth.

Rail service to the City is provided by Amtrak and the Atchison, Topeka and Santa Fe, with freight and passenger trains weekly, while bus service is provided by Central Texas Trailways. Motor freight is provided by four common carriers and air transportation is provided at the Dallas-Fort Worth International Airport, approximately 40 miles to the northeast. Facilities for private and executive aircraft are provided at the City's municipal airport, which includes a 5,000 foot hard-surface runway with equipment for night landings.

Community Profile

The City's estimated 2021 population is 31,561. The City operates under a Council-Manager form of Municipal Government, with a Mayor and four Councilmembers elected for two-year staggered terms. The City provides water, sewer and sanitation, while other utility services are offered by Atmos, multiple retail electric service providers and telephone service providers. Health facilities located within the City include Texas Health Resources Hospital Cleburne. The hospital has 137 beds, and is equipped with care flight facilities and has also received accreditation by the Joint Commission since inception. Dun & Bradstreet rates 463 business establishments in the City.

The Cleburne Independent School District consists of one kindergarten, seven elementary schools, two middle high and one high school. The 2021-2022 enrollment is approximately 6,860 students with a 14.3 to 1 classroom to teacher ratio.

The Cleburne Library contains 52,642 volumes. The City has 21 Parks and Facilities, including 467 developed acres. Splash Station offers two swimming pools and year-round competitive swimming. The Sports Complex provides twenty soccer fields, seven baseball and softball fields, and two football fields for community and tournament play. Booker T. Washington Recreation Center offers fitness training, programming, and rental opportunities for guests and members. The Senior Center has a variety of activities for community seniors. Lake Pat Cleburne provides boating, fishing, swimming, and the Golf Links, an 18-hole golf course. Housed in the City's 1905 Carnegie Library building, the Layland Museum displays artifacts relating to the City and Johnson County history. The neighboring, newly remodeled Cleburne Railroad Museum focuses on local railroad history, including the Cleburne Santa Fe Shops. The Cleburne Conference Center is a 45,000 square foot facility available for conferences, meetings, performing arts, and exhibitions. Cleburne State Park offers camping, swimming, and other opportunities.

Economy

The economy of the City is diverse with an agribusiness, manufacturing and distribution base. In addition, natural gas production and related service entities drill and provide drilling services in the Barnet Shale gas field in which the City is located. Other employment is also found in the Dallas-Fort Worth Metroplex.

Agriculture

The City has an average growing season of 233 days and average rainfall of 32.37 inches per year. The rolling terrain and varied soil types allow the growth of such crops as cotton, sorghum, peanuts, oats, wheat, hay, vegetables and some fruits. The County is a leading dairy production county in the State.

Business and Industry

The City is the home for 30 light industrial concerns employing approximately 2,600 people. The City's industrial base is highly diversified. The Cleburne Texas Economic Development Corporation has been instrumental in relocating numerous new industries to the City.

The Cleburne Economic Development Foundation has developed a 900 acre industrial park within the City. Over 600 acres have been sold and developed. Major tenants include Schuller International, Johns Manville, Air Liquide, Parker Hannifin, James Hardie Building Products, Montco Incorporated, Texas Ingredients Corporation, Tenaska, DPC Industries, Sachem Incorporated, Supreme Corporation and Marti Electronics.

LARGEST EMPLOYERS [(1)]

Name of Employer	Number of Employees
Cleburne ISD	968
Wal-Mart Distribution	916
Johnson County Government	589
Hill College	455
Wal-Mart Super Center	450
Johns-Manville Corporation	415
Texas Health Hsarris Methodist Hospital	413
City of Cleburne	348
Greenbriar Rail Services	200
Supreme Corp. of Texas & Supreme Armored	175

(1) Source: the City as of February 2021.

EMPLOYMENT DATA - (ANNUAL AVERAGE)

City of Cleburne:

	Average Annual				
	2021[(1)]	2020	2019	2018	2017
Civilian Labor Force	13,939	13,806	13,820	13,436	13,162
Total Employed	13,109	12,838	13,358	12,949	12,620
Total Unemployed	830	968	462	487	542
Unemployment Rate	6.3%	7.0%	3.3%	3.6%	4.1%

Johnson County:

	Average Annual				
	2021[(1)]	2020	2019	2018	2017
Civilian Labor Force	83,925	82,931	83,351	80,439	78,073
Total Employed	79,173	77,541	80,679	77,661	75,092
Total Unemployed	4,752	5,390	2,672	2,778	2,981
Unemployment Rate	6.0%	6.5%	3.2%	3.5%	3.8%

Source: Texas Workforce Commission.
(1) As of August 2021.

APPENDIX B

EXCERPTS FROM THE

CITY OF CLEBURNE, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2020

The information contained in this Appendix consists of excerpts from the City of Cleburne, Texas, 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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PATTILLO, BROWN & HILL, L.L.P.
401 West State Highway 6
Waco, Texas 76710
254.772.4901 | pbhcpa.com

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of
The City Council and Citizens
City of Cleburne, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Cleburne, 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 from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements and schedules, and the Schedule of Expenditures of Federal Awards, as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR), Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

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

Waco, Texas
March 23, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the City of Cleburne, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Cleburne for the fiscal year ended September 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities as of September 30, 2020 by $89,548,331 (*net position*). Of this amount, $62,961,110 is invested in capital assets and $6,114,927 is restricted. The remaining $20,472,344 is unrestricted.

- The City's total net position increased by $12,367,828.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $44,931,202. Over 39.90% of this amount, $17,926,075 is unassigned and available for use within the City's designation and policies.

- At the end of the current fiscal year, unassigned fund balance for the General Fund was $17,927,517, or 48.82% of total General Fund expenditures.

- The City's total long-term debt increased by 30,656,188, or 29.16%, due to the issuance of debt.

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 which begin on page 10 of this report, comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenue (*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 of Cleburne include general government, public safety, public service (cultural and recreation), public works (development services) and sanitation. The *business-type activities* of the City of Cleburne include Water and Sewer, Municipal Airport, and Drainage Utility. The government-wide financial statements can be found on pages 10 to 13 of this report.

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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*. These reconciliations may be found on pages 16 and 19, respectively.

The City maintains thirty-five 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, the Debt Service Fund, the 4B Sales Tax Corporation Fund, the 4A Sales Tax Corporation Fund, and the Capital Projects Fund, which are considered major funds. The thirty remaining governmental funds are combined into separate aggregated columns. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report. The basic governmental fund financial statements can be found on pages 14 to 19 of this report. The combining statements for non-major governmental funds can be found on pages 73 to 88 of this report.

Proprietary funds. The City maintains three *enterprise funds* which are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water and Sewer authority, Municipal Airport operations, and Drainage Utility services.

Proprietary funds 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 and Sewer Fund, Municipal Airport Fund, and Drainage Utility Fund, all of which are considered to be major funds of the City. The basic proprietary fund financial statements can be found on pages 20 to 23 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because those funds are not available to support the City's programs. The City is the trustee, or fiduciary, for these funds and is responsible for ensuring that the assets reported in these funds are used for their intended purpose. All the City's fiduciary activities are reported in separate statements and can be found on pages 24 to 25 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 to 57 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. Required supplementary information can be found on page 58 to 72 of this report.

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information on pensions and other post employment benefits. Combining and individual fund statements and schedules can be found on pages 73 to 88 of this report. Statistical information for the City is located on pages 90 to 119, and the single audit section can be found on pages 127 to 134.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Cleburne, net position was $89,548,381 as of September 30, 2020.

City of Cleburne's Net Position

	Governmental Activities 2020	Governmental Activities 2019	Business-type Activities 2020	Business-type Activities 2019	Total 2020	Total 2019	Total Percent Change 2018-2019
Current and Other Assets	$ 49,012,176	$ 46,009,331	$ 84,268,486	$ 42,130,393	$ 133,280,662	$ 88,139,724	51.2%
Capital Assets	77,414,641	78,047,655	74,495,863	76,108,869	151,910,504	154,156,524	-1.5%
Total Assets	126,426,817	124,056,986	158,764,349	118,239,262	285,191,166	242,296,248	17.7%
Total deferred outflows of resources	4,754,665	10,844,105	755,183	1,533,760	5,509,848	12,377,865	-55.5%
Current and other liabilities	9,073,861	10,198,740	8,414,513	8,601,716	17,488,374	18,800,456	-7.0%
Long-Term Liabilities	89,272,987	99,637,409	88,816,370	55,440,786	178,089,357	155,078,195	14.8%
Total Liabilities	98,346,848	109,836,149	97,230,883	64,042,502	195,577,731	173,878,651	12.5%
Total deferred outflows of resources	4,552,457	2,982,973	1,022,445	631,936	5,574,902	3,614,909	54.2%
Net Position:							
Net investment in Capital Assets	30,151,514	26,473,023	32,809,596	20,811,418	62,961,110	47,284,441	33.2%
Restricted	3,866,092	2,890,175	2,248,835	10,865,342	6,114,927	13,755,517	-55.5%
Unrestricted	(5,735,429)	(7,281,229)	26,207,773	23,421,824	20,472,344	16,140,595	26.8%
Total Net Position	$ 28,282,177	$ 22,081,969	$ 61,266,204	$ 55,098,584	$ 89,548,381	$ 77,180,553	16.0%

The largest portion of the City's net position, $62,961,110 (70.31%), reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any related debt used to acquire those assets that is still outstanding. The City of Cleburne uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional $6,114,927(6.83%), of the City's net position is restricted for special projects and debt service and cannot be used for any other purpose in accordance with the City's fund designation and fiscal policies and the unrestricted balance is $20,742,344 (23.16%).

As of September 30, 2020, the City has positive balances in invested and restricted categories of net position, both for government as a whole, as well as for its separate governmental and business-type activities. There is a negative unrestricted new position in the governmental activities as of September 30, 2020 due to the effect of the implementation of GASB 75 related to the pension plan for the City's firefighters. The unrestricted net position for governmental activities is $(5,735,429) and for business-type activities is $26,207,773, which results in $20,472,344 unrestricted net position for the City as a whole.

Analysis of the City's Operations. Overall, the City had an increase in net position of $12,367,828 or 16.02%.

Governmental activities: Net position from governmental activities increased $6,200,208 from $22,081,969 to $28,282,177, primarily due to additional revenue from strong sales tax collections that exceeded the prior year's receipts, stronger ambulance transport revenue collection and higher use of refuse options due to growth.

Total revenues for governmental activities increased from the previous year by $1,159,672 primarily due to the aforementioned increases. Other contributing revenue increase were the increase in ad valorem tax collections. Total expenses for governmental activities decreased $1,957,433, due to a decrease in spending in public safety.

Business-type activities: Net position from business-type activities increased by $6,167,620 from $55,098,584 to $61,266,204. This increase is primarily due to an increase in net position in the Water and Sewer fund due to net operational income from water and sewer sales, and a Texas Water Development Board grant.

The following table provides a summary of the City's operations for year ended September 30, 2020 with comparative totals for year ended September 30, 2019.

City of Cleburne's Changes in Net Position

	Governmental Activities 2020	Governmental Activities 2019	Business-type Activities 2020	Business-type Activities 2019	Total 2020	Total 2019	Total Percent Change 2019 - 2020
Revenues							
Program Revenues:							
Charges for Services	$ 12,939,742	$ 11,820,405	$ 27,048,881	$ 24,796,575	$ 39,988,623	$ 36,616,980	9.2%
Operating Grants and Contributions	2,847,565	3,118,063	103,323	42,833	2,950,888	3,160,896	-6.6%
Capital Grants and Contributions	8,158	82,651	1,003,630	1,909	1,011,788	84,560	1096.5%
General Revenues:							
Ad Valorem Taxes	16,935,058	15,989,971	-	-	16,935,058	15,989,971	5.9%
Sales Taxes	13,456,503	12,748,038	-	-	13,456,503	12,748,038	5.6%
Occupancy Taxes	374,483	484,594	-	-	374,483	484,594	-22.7%
Franchise Taxes	3,342,712	3,556,093	-	-	3,342,712	3,556,093	-6.0%
Interest Income	507,400	1,066,031	668,248	861,296	1,175,648	1,927,327	-39.0%
Gain (Loss) on Sales of							100.0%
Capital Assets	185,749	10,279	15,974	-	201,723	10,279	1862.5%
Insurance Recovery	-	75,130	-	-	-	75,130	100.0%
Royalties	145,735	282,644	-	-	145,735	282,644	-48.4%
Miscellaneous	340,355	689,889	91,975	122,679	432,330	812,568	-46.8%
Total Revenues	51,083,460	49,923,788	28,932,031	25,825,292	80,015,491	75,749,080	5.6%
Expenses							
General Government	7,900,127	6,494,182	-	-	7,900,127	6,494,182	21.6%
Public Safety	16,303,108	18,192,039	-	-	16,303,108	18,192,039	-10.4%
Public Service	11,223,742	11,445,890	-	-	11,223,742	11,445,890	-1.9%
Public Works	7,077,092	8,165,185	-	-	7,077,092	8,165,185	-13.3%
Sanitation	4,350,509	4,183,159	-	-	4,350,509	4,183,159	4.0%
Interest on Long Term Debt	1,633,820	1,965,376	-	-	1,633,820	1,965,376	-16.9%
Water and Sewer	-	-	17,577,183	17,441,937	17,577,183	17,441,937	0.8%
Municipal Airport	-	-	1,009,299	1,140,059	1,009,299	1,140,059	-11.5%
Drainage Utility	-	-	572,783	478,320	572,783	478,320	19.7%
Total Expenses	48,488,398	50,445,831	19,159,265	19,060,316	67,647,663	69,506,147	-2.7%
Increase (Decrease) in Net Position Before Transfers	2,595,062	(522,043)	9,772,766	6,764,976	12,367,828	6,242,933	98.1%
Transfers	3,605,146	3,517,613	(3,605,146)	(3,517,613)	-	-	
Increase (Decrease) in Net Position	6,200,208	2,995,570	6,167,620	3,247,363	12,367,828	6,242,933	98.1%
Prior Preriod Adjustment	-	-	-	-	-	-	100.0%
Net Position - Beginning	22,081,969	19,086,399	55,098,584	51,851,221	77,180,553	70,937,620	8.8%
Net Position - Ending	$ 28,282,177	$ 22,081,969	$ 61,266,204	$ 55,098,584	$ 89,548,381	$ 77,180,553	16.0%

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* and *nonspendable* resources. Such information is useful in assessing the City's financing requirements. During fiscal year ended September 30, 2011, the City implemented GASB 54, "Fund Balance, Reporting and Governmental Fund Type Definitions", for its governmental funds. Under GASB 54, fund balances are required to be reported according to the following classifications:

Nonspendable fund balance – Includes the portion of net resources that cannot be spent because of their form (i.e. inventory, long-term loans or prepaids) or because they must remain in-tact such as the principal of an endowment.

Restricted fund balance – Includes the portion of net resources on which limitations are imposed by creditors, grantors, contributors or by laws or regulations of other governments (i.e. externally imposed limitations). Amounts can be spent only for the specific purposes stipulated by external resource providers or as allowed by law through constitutional provisions or enabling legislation. Examples include impact fees and bond proceeds.

Committed fund balance – Includes the portion of net resources upon which the City Council has imposed limitations on use. Amounts that can be used only for the specific purposes determined by an ordinance of the City Council. Commitments may be changed or lifted only by the City Council taking the same *formal action* that originally imposed the constraint. The *formal action* must be approved before the end of the fiscal year in which the commitment will be reflected on the financial statements.

Assigned fund balance – Includes the portion of net resources for which an *intended* use has been established by the City Council or the City Official authorized to do so by the Fund Balance Policy approved by City Council. Assignments of fund balance are much less formal than commitments and do not require formal action for their imposition or removal. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed which indicates that resources are, at a minimum, intended to be used for the purpose of that fund.

Unassigned fund balance – Includes the amounts in the General Fund in excess of what can properly be classified in one of the other four categories of fund balance. It is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Negative residual amounts for all other governmental funds are reported in this classification.

In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $44,931,202. Approximately 39.90% of this total amount, $17,926,075 constitutes unassigned fund balance. The remainder of the fund balance is not available for new spending because it has already been restricted for: debt service ($2,057,251), general government ($704,778), public safety ($36,602), public services ($360,774), and impact fees ($819,319). The total amount of fund balance that is committed is $12,495,673 and assigned is $10,411,657, including $4,407,796 for the subsequent year's General Fund Budget.

In the General Fund, actual fund balance increased for fiscal year 2020 by $4,056,495. On the revenue side, collections were $1,609,032 greater than anticipated and $1,085,327 higher than fiscal year 2019. This was primarily due to increased sales tax receipts from continued economic recovery/growth, greater utilization of refuse and recreational services due to growth, and an increase in property tax revenue. On the expenditure side, operating expenditures were $34,750,905, with the increase as compared to the prior year from several of the departments in Public Works being fully staffed after a year of vacancies. A budgeted transfer of $500,000 was made from the General Fund to the General Capital Projects Fund for future projects such as street rehabilitation projects.

The Debt Service Fund had an increase in fund balance of $420,303 to bring the year end fund balance to $2,057,251. This increase is due to an increase in current and delinquent tax collections.

The 4B Sales Tax Corporation Fund actual fund balance increased $217,447 for the 2020 fiscal year. This was $372,346 more than anticipated sales tax collections and lower expenditures due to the deferral of budgeted railroad museum construction costs to future fiscal years and a lower than anticipated transfer to the General Fund for operating costs of 4B Corporation departments.

The 4A Sales Tax Corporation Fund ending fund balance increased by $652,355 from $4,853,709 to $5,506,064. During the current fiscal year, the major activity was the ½ cent sales tax collections of $3,399,846 and expenditures of $377,753 with $300,000 being for the All Aboard Cleburne promotional program and repayment of debt service in the amount of $2,451,855.

In the General Capital Projects Fund, actual fund balances decreased by $1,631,474. This was primarily due to the expenditures for $2,660,955 which consisted of various road reconstruction projects.

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

Unrestricted net position of the Water and Sewer Fund at the end of the year amounted to $23,850,894, the Municipal Airport Fund amounted to $(809,859), and the Drainage Utilities Fund amounted to $1,813,502. The total change in net position for the three funds was $6,383,630, $(196,816) and $(19,194), respectively. Other factors concerning the finances of these three funds have already been addressed in the discussion of the City's business-type activities.

Fiduciary fund. The Employee Benefits Trust Fund was established at the close of fiscal year 2011. By establishing this trust, the City expects to save approximately 2% of total health premium costs each year. The fiduciary fund statements can be found on pages 24 to 25.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's General Fund realized a $1,085,327 increase in total revenues, or 3.25%, and a $352,130 decrease in operating expenditures, or 1.04% as compared to 2019. Revenues exceeded amounts budgeted in the following categories:

- Property taxes of $254,869 due to collections of over 98.5% of the tax roll;
- Sales taxes of $660,016 due to new growth in the surrounding rural areas and the strong national economic climate;
- Franchise taxes of $108,146 affected by new legislation;
- Permits and fees of $292,444 due to new residential home growth;
- Intergovernmental of $81,802 primarily from CARES funding;
- Charges for Services of $509,945 primarily from the utilization of refuse services due to growth;
- Miscellaneous revenue of $139,013 primarily from insurance proceeds and lien payments.

Expenditures were lower than budget due to limited retirements and financial management of expenditures. This resulted in a total fund balance of $22,447,683, a $4,592,349 increase, as compared to the adopted fund balance of a decrease of $1,795,996 with a projected ending fund balance of $16,059,338. During the year, there was a budget amendment to the Parks & Rec Department in the amount of $6,804.

CAPITAL ASSETS

The City of Cleburne's capital assets for its governmental and business-type activities as of September 30, 2020, amounts to $151,910,504 (net of accumulated depreciation). The capital assets include land, buildings, equipment, improvements, infrastructure and construction in progress. The total decrease in capital assets for the fiscal year was 1.46% attributable to the overall depreciation expense with a 0.81% decrease for governmental activities due to additions netted against depreciation expense of $5.5 million. There was a 2.12% decrease in business-type activities, as the cost of new wastewater infrastructure, various other water and wastewater projects, airport runway rehabilitation, and drainage system improvements were offset by depreciation expense greater than the cost of these additions.

Major capital asset events during the current fiscal year included the following:

- Capitalized downtown sidewalks with a cost over $920,000.
- Capitalized various equipment, such as a new fire ladder truck with a total cost of over $1.3 million.
- Capitalized improvements at the Sports Complex with a total cost just under $240,000.
- Capitalized various equipment for the water/wastewater fund with a total cost of nearly $110,000.
- Capitalized water/wastewater infrastructure improvements at a cost of almost $4.4 million.

City of Cleburne's Capital Assets at Year End
(Net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 4,569,266	$ 4,569,266	$ 2,520,104	$ 2,520,104	$ 7,089,370	$ 7,089,370
Structures	39,325,185	41,468,985	26,399,970	28,411,637	65,725,155	69,880,622
Improvements other than Structures	12,916,451	13,677,318	6,897,138	6,979,376	19,813,589	20,656,694
Equipment	7,281,147	5,582,351	928,108	1,084,982	8,209,255	6,667,333
Infrastructure	11,404,677	10,670,956	29,169,734	32,130,336	40,574,411	42,801,292
Construction in Progress	1,917,915	2,078,779	8,580,809	4,982,434	10,498,724	7,061,213
Total	$ 77,414,641	$ 78,047,655	$ 74,495,863	$ 76,108,869	$ 151,910,504	$ 154,156,524

Additional information on the City of Cleburne's capital assets can be found in Note 7, pages 36 to 37, of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City of Cleburne had a total bonded debt, tax notes, revenue bonds, notes, sales tax debt and contracts payable of $135,793,195. Of this amount, $86,257,044 comprises bonded debt, capital leases and notes backed by the full faith and credit of the government, and $231,151 is a sales tax liability due to an audit adjustment, which is repaid by a monthly amount of $2,383 for fifteen years. Bonds secured solely by water and sewer revenues totaled $49,305,000. There were Waterworks and Sewer System Revenue Refunding Bonds of $4,934,000 and also Waterworks and Sewer System Revenue Bonds of $41,000,000 issued during the fiscal year.

City of Cleburne's Outstanding Debt at Year End
Bonds and Notes Payable

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Certificates of Obligation Bond	$ 2,275,000	$ 2,385,000	$ 56,024,000	$ 16,435,000	$ 58,299,000	$ 18,820,000
General Obligation Bonds	26,755,000	29,996,173	-	-	26,755,000	29,996,173
Revenue Bonds	16,505,000	17,515,000	32,800,000	37,480,000	49,305,000	54,995,000
Notes	209,709	1,070,148	-	-	209,709	1,070,148
Capital leases	993,335	10,240	-	-	993,335	10,240
Sales Tax	231,151	245,446	-	-	231,151	245,446
Total	$ 46,969,195	$ 51,222,007	$ 88,824,000	$ 53,915,000	$ 135,793,195	$ 105,137,007

The City's General Obligation, Certificates of Obligation, and Water Works and Sewer System Revenue Bond ratings are listed below:

	Standard & Poor's	Fitch	Moody's
Certificates of Obligation Bonds	AA	AA-	Aa3
General Obligation Bonds	AA	AA-	Aa3
Revenue Bonds	AA	AA-	Aa3

Additional information on the City of Cleburne's long-term debt can be found respectively in Note 9, pages 38 to 42 of this report.

ECONOMIC FACTORS AND NEW YEAR'S BUDGETS AND RATES

In the 2021 budget, General Fund revenues and transfers-in were budgeted to increase by 0.3% from the 2020 budget. Property taxes make up about 37.22% of the current budgeted revenues and transfers. Certified net assessed valuations increased 5.3% from the preceding year, from $1,896,546,479 to $1,996,949,770. This increase is primarily due to the valuation increases in residential, commercial and industrial valuations and new construction of $41.5 million added to the tax roll. Also, there was a decrease in the property tax rate of $.773206 to a new rate of $.760092. Budgeted sales tax revenue is projected to increase by $75,000, due to the trend of the monthly sales tax allocation increases as observed in Fiscal Year 2020. Guiding these budget factors is conservative fiscal management practices and balancing the needs of the community with available resources. The City will continue to pursue economic development opportunities, keep annual recurring costs at or below current levels, coupled with on-going organizational restructuring to improve efficiencies and accountability and continued investment in infrastructure, facilities, vehicles and equipment. The City Council adopted a formal 90 day fund balance policy for the General Fund during the fiscal year 2011, and those fund balances have a budgeted decrease of 21.04% in 2021 from the projected ending fund balance at September 30, 2020 of $20,950,371 to $16,542,574, due to a drawdown of $4,407,797 for the aforementioned budget focus.

In the fiscal year 2021 Water and Sewer Fund budget, rates have increased to cover the anticipated borrowing of funds to expand the wastewater treatment facilities and add a reuse line as well as the City continues to focus on water loss issues that impact fund revenues. The Water and Sewer Fund is budgeted to end the 2021 fiscal year with an unreserved cash balance of $9.8 million, excluding the Rate Mitigation Fund and debt reserves. The Rate Mitigation Fund is budgeted to have an ending balance of $3.076 million, in addition to senior lien and payment reserves of $2.24 million. Over the next few future fiscal years, unreserved cash balance will be subject to draw down, due to a needed expansion of the wastewater treatment plant for required treatment capacity to serve existing and future customers.

The fiscal year 2021 budgeted revenues for the Municipal Airport Fund are budgeted to decrease due smaller volume of sales of jet fuel. Expenditures are anticipated to remain level.

The 2021 Drainage Utility Fund revenues and expenses are expected to remain level, as there was no drainage fee increase included in the budget. There is an anticipated draw down of fund balance of nearly $240,000 for the Eastside Drainage Study, the Boone/Chase Drainage Improvements and the Nottingway Drainage Structure Repair.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, customers, investors and creditors with general overview of the City's finances. If you have questions about this report or need any additional information, contact the Finance Division, Attn: Director of Finance, at P.O. Box 677, Cleburne, Texas 76033-0677, call (817) 645-0910, or email finance@cleburne.net.

BASIC
FINANCIAL STATEMENTS

CITY OF CLEBURNE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	$ 43,950,570	$ 28,035,556	$ 71,986,126
Receivables (net of allowance for doubtful accounts):			
Ad valorem taxes	446,002	-	446,002
Sales taxes	2,492,485	-	2,492,485
Accounts	1,129,422	3,575,257	4,704,679
Other	488,037	-	488,037
Due from other governments	281,091	-	281,091
Internal balances	134,726	(134,726)	-
Due from fiduciary fund	4,632	-	4,632
Inventories	69,881	210,654	280,535
Prepaids	15,330	-	15,330
Restricted - cash and cash equivalents	-	52,581,745	52,581,745
Capital assets not being depreciated:			
Land	4,569,266	2,520,104	7,089,370
Construction in progress	1,917,915	8,580,809	10,498,724
Capital assets, net of accumulated depreciation:			
Structures	39,325,185	26,399,970	65,725,155
Improvements	12,916,451	6,897,138	19,813,589
Equipment	7,281,147	928,108	8,209,255
Infrastructure	11,404,677	29,169,734	40,574,411
Total assets	126,426,817	158,764,349	285,191,166
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	-	193,941	193,941
Deferred outflow related to pensions- TMRS	1,639,241	391,936	2,031,177
Deferred outflow related to pensions- FRR	2,416,814	-	2,416,814
Deferred outflow retiree health plan - OPEB	456,430	111,276	567,706
Deferred outflow SDBF - OPEB	242,180	58,030	300,210
Total deferred outflows of resources	4,754,665	755,183	5,509,848

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Accounts payable	$ 1,671,992	$ 659,876	$ 2,331,868
Accrued liabilities	649,735	113,566	763,301
Retainage payable	49,752	-	49,752
Due to other governments	71,501	-	71,501
Accrued interest payable	216,378	223,744	440,122
Current liabilities payable from restricted assets:			
Deposits	33,862	530,105	563,967
Unearned revenue	378,469	1,020	379,489
Escrows	178,753	-	178,753
Due within one year:			
Bonds and loans payable	4,910,473	6,743,441	11,653,914
Compensated absences	653,275	82,916	736,191
Total OPEB liability - retiree health plan	252,320	58,151	310,471
Total OPEB Liability - TMRS SDBF	7,351	1,694	9,045
Due in more than one year:			
Bonds and loans payable	42,583,805	83,362,592	125,946,397
Net pension liability- TMRS	12,093,853	2,896,049	14,989,902
Net pension liability- FRR	15,080,524	-	15,080,524
Total OPEB liability - retiree health plan	6,453,429	1,578,658	8,032,087
Total OPEB liability - TMRS SDBF	953,447	232,827	1,186,274
Long-term risk liability	6,228,450	-	6,228,450
Compensated absences	5,879,479	746,244	6,625,723
Total liabilities	98,346,848	97,230,883	195,577,731
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pensions- TMRS	2,449,676	568,732	3,018,408
Deferred inflow related to pensions- FRR	238,347	-	238,347
Deferred inflow related to OPEB- SDB	163,147	38,665	201,812
Deferred inflow related to OPEB- Retiree Health	1,701,287	415,048	2,116,335
Total deferred inflows of resources	4,552,457	1,022,445	5,574,902
NET POSITION			
Net investment in capital assets	30,151,514	32,809,596	62,961,110
Restricted for:			
Debt service	1,944,619	2,248,835	4,193,454
Public service	360,774	-	360,774
General government	704,778	-	704,778
Public saftey	36,602	-	36,602
Public works	819,319	-	819,319
Unrestricted	(5,735,429)	26,207,773	20,472,344
Total net position	$ 28,282,177	$ 61,266,204	$ 89,548,381

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Program Activities	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Governmental activities:			
General government	$ 7,900,127	$ 1,422,643	$ 35,757
Public safety	16,303,108	1,881,997	85,778
Public service	11,223,742	1,287,583	2,649,859
Public works	7,077,092	1,928,983	76,171
Sanitation	4,350,509	6,418,536	-
Interest and fiscal charges on long-term debt	1,633,820	-	-
Total governmental activities	48,488,398	12,939,742	2,847,565
Business-type activities:			
Drainage Utility Fund	572,783	616,929	-
Municipal Airport Fund	1,009,299	687,547	103,323
Water & Sewer Fund	17,577,183	25,744,405	-
Total business-type activities	19,159,265	27,048,881	103,323
Total primary government	$ 67,647,663	$ 39,988,623	$ 2,950,888

General revenues:
- Ad valorem taxes
- Sales taxes
- Occupancy taxes
- Franchise taxes
- Interest earnings
- Gain on sale of capital assets
- Royalties
- Miscellaneous

Transfers

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Program Revenues	Net (Expense) Revenue and Changes in Net Position		
	Primary Government		
Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
$ -	$(6,441,727)	$ -	$(6,441,727)
8,158	(14,327,175)	-	(14,327,175)
-	(7,286,300)	-	(7,286,300)
-	(5,071,938)	-	(5,071,938)
-	2,068,027	-	2,068,027
-	(1,633,820)	-	(1,633,820)
8,158	(32,692,933)	-	(32,692,933)
-	-	44,146	44,146
3,630	-	(214,799)	(214,799)
1,000,000	-	9,167,222	9,167,222
1,003,630	-	8,996,569	8,996,569
$ 1,011,788	$(32,692,933)	$ 8,996,569	$(23,696,364)
	16,935,058	-	16,935,058
	13,456,503	-	13,456,503
	374,483	-	374,483
	3,342,712	-	3,342,712
	507,400	668,248	1,175,648
	185,749	15,974	201,723
	145,735	-	145,735
	340,355	91,975	432,330
	3,605,146	(3,605,146)	-
	38,893,141	(2,828,949)	36,064,192
	6,200,208	6,167,620	12,367,828
	22,081,969	55,098,584	77,180,553
	$ 28,282,177	$ 61,266,204	$ 89,548,381

CITY OF CLEBURNE, TEXAS

BALANCE SHEET
GOVERNMENTAL FUNDS

SEPTEMBER 30, 2020

	General Fund	Debt Service	4B Sales Tax
ASSETS			
Cash and cash equivalents	$ 24,402,626	$ 2,057,251	$ 3,206,648
Receivables (net of allowance for doubtful accounts):			
Receivables - ad valorem taxes	363,889	82,113	-
Receivables - sales taxes	1,248,133	-	622,176
Receivables - accounts	1,124,503	-	-
Receivables - other	18,541	-	64,320
Due from other funds	497,191	-	-
Due from other governments	28,457	-	-
Inventories	64,255	-	-
Prepaids	15,330	-	-
Total assets	27,762,925	2,139,364	3,893,144
LIABILITIES			
Accounts payable	1,194,890	-	1,096
Accrued liabilities	623,556	-	-
Retainage payable	-	-	-
Due to other funds	-	-	-
Due to other governments	71,501	-	-
Deposits payable	32,787	-	-
Unearned revenue	302,113	-	-
Escrow accounts	111,451	-	-
Total liabilities	2,336,298	-	1,096
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - ambulance	535,751	-	-
Unavailable revenue - court fines	65,158	-	-
Unavailable revenue - grants	-	-	-
Unavailable revenue - property taxes	363,888	82,113	-
Total deferred inflow of resources	964,797	82,113	-
FUND BALANCES (DEFICITS)			
Nonspendable:			
Inventories	64,255	-	-
Deposits	32,787	-	-
Prepaids	15,330	-	-
Restricted for:			
Debt service	-	2,057,251	-
General government	20,386	-	-
Public safety	-	-	-
Public services	-	-	-
Impact fees			
Committed for:			
Capital projects	-	-	-
General government	-	-	-
Public service	-	-	3,892,048
Assigned for:			
Public safety	-	-	-
Public service	-	-	-
Public works	-	-	-
Capital projects	1,993,759	-	-
Subsequent year's budget	4,407,796	-	-
Unassigned	17,927,517	-	-
Total fund balances	24,461,830	2,057,251	3,892,048
Total liabilities, deferred inflows and fund balances	$ 27,762,925	$ 2,139,364	$ 3,893,144

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

4A Sales Tax	General Projects	Nonmajor Governmental Funds	Total Governmental Funds
$ 4,925,411	$ 3,215,468	$ 6,143,166	$ 43,950,570
-	-	-	446,002
622,176	-	-	2,492,485
4,919	-	-	1,129,422
-	-	405,176	488,037
-	-	-	497,191
-	-	252,634	281,091
-	-	5,626	69,881
-	-	-	15,330
5,552,506	3,215,468	6,806,602	49,370,009
3,442	-	472,564	1,671,992
-	-	26,179	649,735
-	-	49,752	49,752
-	-	357,833	357,833
-	-	-	71,501
-	-	1,075	33,862
-	-	76,356	378,469
43,000	13,826	10,476	178,753
46,442	13,826	994,235	3,391,897
-	-	-	535,751
-	-	-	65,158
-	-	-	-
-	-	-	446,001
-	-	-	1,046,910
-	-	5,626	69,881
-	-	1,075	33,862
-	-	-	15,330
-	-	-	2,057,251
-	-	684,392	704,778
-	-	36,602	36,602
-	-	360,774	360,774
		819,319	819,319
-	-	1,999,305	1,999,305
-	-	719,236	719,236
5,506,064	379,020	-	9,777,132
-	-	142,774	142,774
-	-	333,604	333,604
-	-	598,333	598,333
-	2,822,622	112,769	4,929,150
-	-	-	4,407,796
-	-	(1,442)	17,926,075
5,506,064	3,201,642	5,812,367	44,931,202
$ 5,552,506	$ 3,215,468	$ 6,806,602	$ 49,370,009

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CITY OF CLEBURNE, TEXAS

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

SEPTEMBER 30, 2020

Total Fund Balance - Total Governmental Funds	$	44,931,202
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 the Governmental Funds Balance Sheet.		77,414,641
Revenues not recognized as revenue until future periods are deferred in the funds.		1,046,910
Accrued Interest Payable on long-term debt does not require current financial resources. Therefore, accrued interest payable is not reported as a liability in the Governmental Funds Balance Sheet.	(	216,378)
Deferred outflows of resources associated with pension and OPEB obligations do not require current financial resources. Therefore, the following deferred outflows are not reported in the funds.		4,754,665
Long-Term Liabilities are not due and payable in the current period and, therefore, are not reported in the Governmental Funds.		
General obligation bonds	(	26,755,000)
Certificates of obligation	(	2,275,000)
Revenue bonds	(	16,505,000)
Notes payable	(	209,709)
Capital leases	(	993,335)
Sales tax due to state	(	231,151)
Unamortized bond premiums	(	525,083)
Landfill liability	(	6,228,450)
Compensated abcenses	(	6,532,754)
TMRS pension plan	(	12,093,853)
Fireman's relief and retirement plan	(	15,080,524)
OPEB liability - TMRS SDBF	(	960,798)
OPEB liability - Retirree health plan	(	6,705,749)
Deferred inflows of resources associated with pension long-term debt do not require current financial resources. Therefore, the following deferred inflows are not reported in the funds.	(	4,552,457)
Net Position of Governmental Activities	$	28,282,177

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

CITY OF CLEBURNE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service	4B Sales Tax
REVENUES			
Property taxes	$ 13,533,234	$ 2,989,897	$ -
Sales taxes	6,642,516	-	3,399,846
Occupancy taxes	-	-	-
Franchise taxes	3,296,646	-	-
Permits and fees	650,352	-	-
Intergovernmental	116,840	-	-
Charges for services	10,271,746	-	-
Impact fees	-	-	-
Fines and forfeitures	468,254	-	-
Interest revenue	262,420	24,189	35,883
Contributions	35,757	-	-
Royalties	-	-	-
Miscellaneous	192,513	-	-
Total revenues	35,470,278	3,014,086	3,435,729
EXPENDITURES			
Current:			
General government	5,443,848	-	88,830
Public safety	15,549,225	-	-
Public service	5,149,981	-	337,410
Public works	3,458,367	-	-
Sanitation	4,007,970	-	-
Debt service:			
Principal retirement	3,413	3,210,440	735,000
Interest and fiscal charges	-	263,767	361,800
Capital outlay:			
General government	58,671	-	-
Public safety	1,599,952	-	-
Public service	507,152	-	441,044
Public works	747,621	-	-
Sanitation	198,232	-	-
Total expenditures	36,724,432	3,474,207	1,964,084
Excess (deficiency) of revenues over expenditures	(1,254,154)	(460,121)	1,471,645
OTHER FINANCING SOURCES (USES)			
Transfers in	4,899,494	880,424	-
Transfers out	(749,983)	-	(1,254,198)
Insurance recovery	67,334	-	-
Proceeds from capital lease	986,509	-	-
Sale of assets	107,295	-	-
Total other financing sources (uses)	5,310,649	880,424	(1,254,198)
Net change in fund balances	4,056,495	420,303	217,447
Fund balances - beginning	20,405,335	1,636,948	3,674,601
Fund balances - ending	$ 24,461,830	$ 2,057,251	$ 3,892,048

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

4A Sales Tax	General Projects	Total Nonmajor Funds	Total Governmental Funds
$ -	$ -	$ 387,277	$ 16,910,408
3,399,846	-	-	13,442,208
-	-	374,483	374,483
-	-	46,066	3,342,712
-	-	685,500	1,335,852
-	-	2,546,003	2,662,843
25,000	-	89,634	10,386,380
-	-	599,011	599,011
-	-	65,563	533,817
57,117	57,643	70,148	507,400
-	-	157,123	192,880
-	-	145,735	145,735
-	-	142,460	334,973
3,481,963	57,643	5,309,003	50,768,702
300,000	50,000	612,972	6,495,650
-	-	54,789	15,604,014
77,753	30,980	2,780,866	8,376,990
-	2,526,526	964,525	6,949,418
-	-	-	4,007,970
1,305,000	-	-	5,253,853
1,146,855	-	-	1,772,422
-	-	-	58,671
-	-	-	1,599,952
-	44,870	-	993,066
-	8,579	-	756,200
-	-	-	198,232
2,829,608	2,660,955	4,413,152	52,066,438
652,355	(2,603,312)	895,851	(1,297,736)
-	1,880,425	57,246	7,717,589
-	(908,587)	(1,199,675)	(4,112,443)
-	-	11,120	78,454
-	-	-	986,509
-	-	-	107,295
-	971,838	(1,131,309)	4,777,404
652,355	(1,631,474)	(235,458)	3,479,668
4,853,709	4,833,116	6,047,825	41,451,534
$ 5,506,064	$ 3,201,642	$ 5,812,367	$ 44,931,202

CITY OF CLEBURNE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

Net change in fund balances - total governmental funds		$ 3,479,668
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of capital assets acquired in the current period including those acquired through capital contributions and grants.		
Capital additions purchased and traded		4,911,050
Depreciation expense on capital assets is reported in the Statement of Activities, but does not require the use of current financial resources. This is the net amount of depreciation expense recorded in the current period.		(5,544,064)
Certain revenues are deferred in the funds. These are the changes in these amounts this year.		114,714
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt uses the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, the amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of capital leases	(1,015,336)	
Principal retirement	5,268,148	
Amortization of premiums/discounts due to bond issuance	72,988	
Interest payable	94,441	
		4,420,241
Some expenses reported in the Statement of Activities do not require the use of current financial resources; therefore, they are not reported as expenditures in the governmental funds. However, the Statement of Activities is presented on an accrual basis and expenses are reported when incurred. This amount is the net effect of these differences.		
Compensated absences	(14,042)	
Pension liability	(972,499)	
Landfill liabiliy	(2)	
OPEB	(194,858)	
		(1,181,401)
Change in net position of governmental activities.		$ 6,200,208

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds			
	Water & Sewer	Municipal Airport	Drainage Utility	Total Enterprise Funds
ASSETS				
Current assets:				
Cash and cash equivalents	$ 26,087,113	$ 134,876	$ 1,813,567	$ 28,035,556
Receivables (net of allowance for doubtful accounts)	3,536,099	10,757	28,401	3,575,257
Due from other funds	448,798	-	-	448,798
Inventories	173,132	37,522	-	210,654
Total current assets	30,245,142	183,155	1,841,968	32,270,265
Noncurrent assets:				
Restricted cash and cash equivalents				
Deposits	530,105	-	-	530,105
Construction	48,225,825	-	-	48,225,825
Impact Fees	1,353,236	-	-	1,353,236
Debt service	2,472,579	-	-	2,472,579
Total restricted cash and cash equivalents	52,581,745	-	-	52,581,745
Capital assets				
Land	2,520,104	-	-	2,520,104
Structures	66,734,791	1,659,824	-	68,394,615
Improvements	15,453,191	1,795,145	-	17,248,336
Equipment	3,635,472	294,719	264,353	4,194,544
Infrastructure	60,360,106	2,819,786	6,043,143	69,223,035
Construction in progress	8,491,488	33,041	56,280	8,580,809
Less: accumulated depreciation	(88,136,022)	(3,547,852)	(3,981,706)	(95,665,580)
Total capital assets, net of accumulated depreciation	69,059,130	3,054,663	2,382,070	74,495,863
Total noncurrent assets	121,640,875	3,054,663	2,382,070	127,077,608
Total assets	151,886,017	3,237,818	4,224,038	159,347,873
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	193,941	-	-	193,941
Deferred outflow related to pensions	368,189	23,747	-	391,936
Deferred outflow retiree health plan - OPEB	104,526	6,750	-	111,276
Deferred outflow SDBF - OPEB	54,503	3,527	-	58,030
Total deferred outflows of resources	721,159	34,024	-	755,183

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds			
	Water & Sewer	Municipal Airport	Drainage Utility	Total Enterprise Funds
LIABILITIES				
Current liabilities:				
Accounts payable	$ 590,554	$ 40,856	$ 28,466	$ 659,876
Accrued liabilities	112,244	1,322	-	113,566
Due to other funds	-	583,524	-	583,524
Accrued interest payable	223,744	-	-	223,744
Unearned revenue	-	1,020	-	1,020
Compensated absences payable in less than one year	78,005	4,911	-	82,916
Current maturities - bonds, loans and leases	6,743,441	-	-	6,743,441
Total OPEB liability - retiree health plan	54,876	3,275	-	58,151
Total OPEB Liability - TMRS SDBF	1,599	95	-	1,694
Current liabilities payable from restricted assets:				
Deposits	530,105	-	-	530,105
Total current liabilities	8,334,568	635,003	28,466	8,998,037
Noncurrent liabilities:				
Compensated absences	702,049	44,195	-	746,244
Revenue bonds payable	83,362,592	-	-	83,362,592
Net pension liability	2,720,667	175,382	-	2,896,049
Total OPEB liability - retiree health plan	1,482,657	96,001	-	1,578,658
Total OPEB Liability - TMRS SDBF	218,698	14,129	-	232,827
Total noncurrent liabilities	88,486,663	329,707	-	88,816,370
Total liabilities	96,821,231	964,710	28,466	97,814,407
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pensions	533,932	34,800	-	568,732
Deferred inflow retriree health plan - retiree health plan	389,873	25,175	-	415,048
Deferred inflow retriree health plan - OPEB	36,312	2,353	-	38,665
Total deferred inflows of resources	960,117	62,328	-	1,022,445
NET POSITION				
Net investment in capital assets	27,372,863	3,054,663	2,382,070	32,809,596
Restricted for:				
Debt Service	2,248,835	-	-	2,248,835
Impact fees	1,353,236	-	-	1,353,236
Unrestricted	23,850,894	(809,859)	1,813,502	24,854,537
Total net position	$ 54,825,828	$ 2,244,804	$ 4,195,572	$ 61,266,204

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

CITY OF CLEBURNE, TEXAS

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

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-type Activities - Enterprise Funds			
	Water & Sewer	Municipal Airport	Drainage Utility	Total Enterprise Funds
OPERATING REVENUES				
Water sales	$ 14,495,752	$ -	$ -	$ 14,495,752
Sewer sales	9,443,993	-	-	9,443,993
Water and sewer connections	182,477	-	-	182,477
Penalty charges	204,388	-	6,174	210,562
Impact fees	990,346	-	-	990,346
Service charges	133,090	687,547	610,755	1,431,392
Intergovernmental	-	103,323	-	103,323
Miscellaneous	77,498	14,477	-	91,975
Total operating revenues	25,527,544	805,347	616,929	26,949,820
OPERATING EXPENSES				
Personnel services	4,202,261	258,627	-	4,460,888
Supplies	1,608,208	367,040	8,092	1,983,340
Contractual services	3,351,967	171,814	290,066	3,813,847
Depreciation expense	5,306,315	211,818	274,625	5,792,758
Total operating expenses	14,468,751	1,009,299	572,783	16,050,833
Operating income (loss)	11,058,793	(203,952)	44,146	10,898,987
NONOPERATING REVENUES (EXPENSES)				
Interest revenue	648,919	155	19,174	668,248
Interest expense and fiscal charges	(3,108,432)	-	-	(3,108,432)
Intergovernmental revenue	1,000,000	-	-	1,000,000
Amortization of bond costs	294,359	-	-	294,359
Gain on diposal of assets	11,701	4,273	-	15,974
Total nonoperating revenues (expenses)	(1,153,453)	4,428	19,174	(1,129,851)
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	9,905,340	(199,524)	63,320	9,769,136
Contributions	-	3,630	-	3,630
Transfers out	(3,521,710)	(922)	(82,514)	(3,605,146)
Change in net position	6,383,630	(196,816)	(19,194)	6,167,620
Total net position - beginning	48,442,198	2,441,620	4,214,766	55,098,584
Total net position - ending	$ 54,825,828	$ 2,244,804	$ 4,195,572	$ 61,266,204

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Business-Type Activities - Enterprise Funds			
	Water and Sewer	Municipal Airport	Drainage Utilities	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	$ 26,327,710	$ 605,471	$ 616,555	$ 27,549,736
Operational grant proceeds	-	103,323	-	103,323
Cash payments to suppliers for goods and services	(4,790,809)	(269,155)	(293,283)	(5,353,247)
Cash payments to employees for services	(5,222,105)	(503,742)	-	(5,725,847)
Net cash provided by (used for) operating activates	16,314,796	(64,103)	323,272	16,573,965
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in (out) to other funds	(3,521,710)	(922)	(82,514)	(3,605,146)
Net cash provided by (used for) noncapital financing activities	(3,521,710)	(922)	(82,514)	(3,605,146)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(4,078,648)	(33,039)	(68,065)	(4,179,752)
Contributions	-	3,630	-	3,630
Principal paid on revenue bond maturities	(11,025,000)	-	-	(11,025,000)
Interest and charges paid on revenue bonds	(3,479,752)	-	-	(3,479,752)
Bond Proceeds	45,934,000	-	-	45,934,000
Proceeds from TWDB - Intergovernmental	1,000,000	-	-	1,000,000
Proceeds from the sale of assets	11,701	4,273	-	15,974
Net cash provided by (used for) capital and related financing activities	28,362,301	(25,136)	(68,065)	28,269,100
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest income	648,919	155	19,174	668,248
Net cash provided by (used for) investing activities	648,919	155	19,174	668,248
Net increase (decrease) in cash and cash equivalents	41,804,306	(90,006)	191,867	41,906,167
Cash and cash equivalents at beginning of year	36,864,552	224,882	1,621,700	38,711,134
Cash and cash equivalents at end of year	$ 78,668,858	$ 134,876	$ 1,813,567	$ 80,617,301
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	$ 11,058,793	$(203,952)	$ 44,146	$ 10,898,987
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation and amortization expense	5,600,674	211,818	274,625	6,087,117
Changes in assets and liabilities:				
Accounts receivable	(163,969)	(2,735)	(374)	(167,078)
Deferred outflows of resources	642,061	41,835	-	683,896
Due to other funds	-	(90,106)	-	(90,106)
Accounts payable	(261,105)	9,029	4,875	(247,201)
Accrued liabilities	(89,489)	(12,314)	-	(101,803)
Retainage payable	(33,049)	-	-	(33,049)
Customer deposits	27,715	-	-	27,715
Deferred inflows of resources	366,681	23,828	-	390,509
Unearned revenues	-	(3,712)	-	(3,712)
OPEB obligation	154,739	9,496	-	164,235
Compensated absences	42,222	(5,445)	-	36,777
Inventory	(825)	26,083	-	25,258
Pension liabilities	(1,029,652)	(67,928)	-	(1,097,580)
Net cash provided by (used for)operating activities	$ 16,314,796	$(64,103)	$ 323,272	$ 16,573,965

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF NET POSITION
FIDUCIARY FUND

SEPTEMBER 20, 2020

	Fiduciary Fund
	Employee Benefits Trust
ASSETS	
Cash and cash equivalents	$ -
Accounts receivable	72,766
Other receivable	1,384
Total assets	74,150
LIABILITIES	
Due to other funds	4,632
Total liabilities	4,632
NET POSITION	
Net position restricted for pensions	$ 69,518

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

CITY OF CLEBURNE, TEXAS

STATEMENT OF CHANGE IN NET POSITION
FIDUCIARY FUND

FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Fiduciary Fund
	Employee Benefits Trust
ADDITIONS	
Contributions:	
Employer and plan members	$ -
Investment earnings:	
Interest	4,727
Total additions	4,727
DEDUCTIONS	
Benefits and refunds paid to plan members and beneficiaries	4,218
Total deductions	4,218
Change in net position	509
Net Position -- beginning	69,009
Net Position -- ending	$ 69,518

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

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *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. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City of Cleburne (the "City") was incorporated as a municipal corporation in the State of Texas on May 3, 1871. The City is governed by an elected mayor and four-member City Council representing single member districts. The City is a home rule city and operates under the Council-Manager form of government. The City provides the following services as authorized by its Charter: public safety, public services, public works, sanitation and waterworks.

The accompanying financial statements present the City and its component units, 4A Sales Tax Corporation and 4B Sales Tax Corporation, entities for which the City is the primary beneficiary of the services it provides. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. The 4A Sales Tax Corporation and 4B Sales Tax Corporation, although a legally separate entities, are in substance, part of the City's operations.

The financial statements of the City have been prepared in conformance with generally accepted accounting principles (GAAP) as applied to government units. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB). Significant accounting policies of the City are described below.

Blended Component Unit. The 4B Sales Tax Corporation (4B Corp) is governed by a board appointed entirely by the City Council. The ½ cent 4B sales tax was approved by the citizens of Cleburne, and funds projects and supports operations that exclusively benefit the City. The legal liability for the debt issued by the 4B Corp remains with the City. The 4B Sales Tax Corp is reported as a major governmental fund. The 4A Sales Tax Corporation is governed by a board appointed by the City Council. The board is the City Council. The ½ cent 4A sales tax was approved by the citizens of Cleburne, and funds the construction of The Depot baseball stadium and supports operations that exclusively benefit the City. The legal liability for the debt issued by the 4A Sales Tax Corporation remains with the City. The 4A Sales Tax Corporation is reported as a major governmental fund.

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 government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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 between the government's water and sewer fund and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues for the various functions concerned.

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component units. Separate statements for each fund category - governmental, fiduciary 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 funds are aggregated and reported as non-major funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements.

The government reports the following major governmental funds:

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

The *debt service fund* is used to account for the accumulation of resources that are restricted, committed, or assigned for the payment of principal and interest on long-term obligations of the governmental funds.

The *4A sales tax corporation fund* is used to account for the financial resources collected through the ½ cent sales tax adopted by the voters.

The *4B sales tax corporation fund* is used to account for the financial resources collected through the ½ cent sales tax adopted by the voters.

The *general projects fund* is used to account for the acquisition and construction of the government's major capital projects, other than those financed by proprietary funds.

The government reports the following major enterprise funds:

The *water and sewer fund* accounts for the accumulation of resources, maintenance, operations and capital investment necessary for the continued delivery of water and sewer services.

The *municipal airport fund* is used to account for the provision of airport services.

The *drainage utility fund* is used to account for the resources, maintenance, operations and capital investment for continued storm water services throughout the City.

Additionally, the government reports the following fund types:

The e*mployee benefits trust fund* accounts for the resources held for the payment of health benefits for City employees and retirees.

During the course of operations, the government has activity between funds for various purposes. Any balances are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated, so that only the net amount is included in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated, so that only the net amount in the business-type activities column.

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 the 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 in the governmental activities column. Similarly, balances between funds included in business-type activities are eliminated so that only the net amount is included as transfers 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 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 the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using *the current financial resources measurement focus* and *the modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally 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 payments are 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 requirement 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 revenues 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 60 days of year end. All other revenue items are considered to be measurable and available only when cash is received by the City.

The proprietary and employee benefit trust funds are reported using the *economic resources focus* and the *accrual basis of accounting*.

F. Budgetary Information

1. Budgetary Basis of Accounting

Annual budgets are adopted on a budgetary basis consistent with generally accepted accounting principles for the general fund, debt service fund, 4A corporation fund, 4B corporation fund, water and sewer fund, municipal airport fund, and drainage utility fund. The capital projects fund is appropriated on a project-length basis. Other special revenue funds do not have appropriated budgets since other means control the use of these resources and sometimes span a period of more than one fiscal year.

The appropriated budget is prepared by fund, function, and department. The City's department heads may make transfers of appropriations within a department. Transfer of appropriations between departments require approval of the council. The legal level of budgetary control is the department level.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods or services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

2. Deficit Fund Equity

The Court Security Fund has a deficit fund balance of $1,625. The deficit is due to a timing issue. The deficit will be addressed as part of the development of the Fiscal Year 2021-2022 budget.

G. <u>Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance</u>

1. Cash and Cash Equivalents

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

2. Investments

Investments for the City are reported at fair value, except for the positions in the four governmental investment pools that the City participates in. The City's investment in pool are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method. The amounts for the investment pools are included for financial reporting purposes in cash and cash equivalents on the Statement of Net Position.

3. Inventories and Prepaid Items

Inventories are valued at cost using the first-in, first-out method and consist of expendable supplies. The cost of such inventories is recorded as expenditures/expenses when consumed rather than purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditure/expenses when consumed rather than when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets, except for infrastructure assets, are defined by the City as assets with an initial, individual cost of $5,000 or more and an estimated useful life of three or more years.

As the City constructs or acquires additional capital assets each period, including infrastructure assets, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs that are essentially amounts spent in relation to capital assets, which do not increase the capacity of efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their acquisition value.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstances. Tax-exempt bonds have been issued to finance specific capital projects.

Land and construction in progress are not depreciated. The other property, plant, equipment and infrastructure of the City are depreciated using the straight-line method over the following estimated useful lives:

Structures	20-40 years
Improvements	20-30 years
Equipment	3-20 years
Infrastructure	20-30 years

5. Pensions

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

6. Other Post-Employment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefit Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year rather than prefunding. Benefit payments are treated as being equal to the City's yearly contribution for retirees. For purposes of measuring the total SDBF OPEB liability, related deferred outflows and inflows of resources, and expense, City specific information about its total SDBF liability and additions to/deductions from the City's total SDBF liability have been determined on the same basis as they are reported by TMRS. The SDBF expense and deferred (inflows)/outflows of resources related to SDBF, primarily result from changes in the components of the total SDBF liability. Most changes in the total SDBF liability will be included in SDBF expense in the period of the change. For example, changes in the total SDBF liability resulting from current-period service cost, interest on the Total OPEB Liability, and changes of benefit terms are required to be included in SDBF expense immediately. Changes in the total SDBF liability that have not been included in SDBF expense are required to be reported as deferred outflows of resources or deferred inflows of resources related to SDBF.

The City provides post-employment medical care (Medical OPEB) for retired employees through a single-employer defined benefit medical plan. The plan provides medical benefits for eligible retirees, their spouses, and their dependents through the City's group health insurance plans. By providing retirees with access to the City's healthcare plans based on the same rates it charges to active employees, the City is in effect providing a subsidy to retirees. This implied subsidy exists because, on average, retiree healthcare costs are higher than active employee healthcare costs. By the City not contributing anything toward the plan in advance, the City employs a pay-as-you-go method through paying the higher rate for active employees each year. As an irrevocable trust has not been established, the plan is not accounted for as a trust fund. For this purpose, plan contributions are recognized in the period that the direct and indirect subsidies are paid by the City. Total OPEB liability, OPEB-related deferred outflows and inflows of resources, and OPEB expense is based on the actuarial measurement dates.

7. Deferred Outflows/Inflows of Resources

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

- Deferred charges on refunding reported in the statements of net position - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price and is amortized over the shorter of the life of the refunded or refunding debt.

- Deferred pension deficit earnings reported in the statement of net position - A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.

- Deferred pension actuarial losses reported in the statement of net position - A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.

- Deferred pension and other postemployment benefit plan contributions reported in the statement of net position -A deferred charge is recorded for pension contribution amounts paid by the City after the current year's measurement date (December 2019) and will be fully recognized in the next period on the next measurement date (December 2020).

- Deferred pension and other postemployment benefit plan actuarial assumption changes - A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

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

- Deferred pension excess earnings reported in the statement of net position - A deferred charge is recorded for the difference between actual investment earnings and expected investment earnings during the period and is amortized over future periods.

- Deferred pension actuarial gains reported in the statement of net position - A deferred charge is recorded for the difference between actual experience and expected experience during the period between two actuarial valuations and is amortized over future periods.

- Deferred pension actuarial assumption changes -A deferred charge is recorded for the difference due to assumption changes and amortized over future periods.

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

8. Net Position Flow Assumption

Sometimes the government 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 government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

9. Fund Balance Flow Assumptions

Sometimes the government 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 government'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 balance of governmental funds is 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).

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 governing 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 governing City Council has authorized the finance director to assign fund balance. The council may also assign fund balance, as it does when appropriating fund balance to cover a gap between estimate revenue and appropriation 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.

H. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of October 1st on the assessed value as of the prior January for all real property and certain personal property located in the City. Taxes are due upon receipt of tax statement. After January 31st, the applicable property is subject to lien, and penalties and interest are assessed. After June 30th, accounts are referred to delinquent tax attorneys for collection.

3. Compensated Absences

The City's policy permits employees to accumulate earned but unused vacation and sick leave benefits, which are eligible for payout upon separation from City service. The liability for such leave is reported as incurred in the government-wide and proprietary fund financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignation or retirements. The liability for compensated absences includes salary-related benefits, where applicable.

4. Proprietary Funds Operating and Nonoperating 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 the proprietary funds' principal ongoing operations. The principal operating revenues of the water and sewer fund, municipal airport fund and drainage utility fund are charges to customers for sales and services. The water and sewer 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 enterprise funds 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.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Violations of Legal or Contractual Provisions

The City was over budget in the City attorney, Public works, Sanitation, Debt service, and Transfers out function in the General Fund. The City offset the budget shortfall by underspending overall expenditures within the General Fund. The City's 4B Sales Tax fund was over budget in the General Government, Public Service and interest and fiscal charges function. The fund offset the budget shortfall by underspending in other expenditure categories.

The City's 4A Sales Tax fund was over budget in the Public Works function. The fund offset the budget shortfall by underspending in other expenditure categories.

III. CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

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 does have a deposit policy for custodial credit risk. As of September 30, 2020, the City's bank balance was $3,836,088 and that amount was not exposed to custodial credit risk because it was collateralized with securities held by the pledging bank's agent in the City's name.

IV. INVESTMENTS

State statutes, City bond ordinances and City resolutions authorize the City's investments. Government pool investments are not categorized, in accordance with GASB Statement No. 3, because they are not evidenced by securities that exist in physical or book entry form. Government pool investments as of September 30, 2020, of $120,723,595 were invested in LOGIC: $24,877,342; TexPool: $7,407,723; TexStar: $15,156,334, Texas CLASS: $33,567,956 and Amegy: $39,714,240.

The Texas State Comptroller of Public Accounts is the sole office, director and shareholder of the Texas Treasury Safekeeping Trust Company, which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Federated Investors, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company.

The Comptroller maintains oversight of the services provided to TexPool by Federated Investors, Inc. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed equally of participants in TexPool and other persons who do not have a business relationship with TexPool who are qualified to advise TexPool. Finally, TexPool is rated AAAm by Standard and Poors.

TexPool uses amortized cost rather than fair value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. A complete copy of the TexPool Operating Procedures may be obtained by contacting TexPool Participant Services, 1001 Texas Avenue, Suite 1400, Houston, TX 77002.

JPMorgan Investment Management, Inc. ("JPMIM") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexStar under an agreement with the TexStar board of directors (the "Board"). JPMIM provides investment management, fund accounting, transfer agency and custodial services for the pool; and FSAM provides participant services and marketing. In addition, the TexStar Advisory Board advises for TexStar's Investment Policy and approves any fee increases. As required by the Public Funds Investment Act, the Advisory Board is composed of three representatives of participants in TexStar and one member designated by each of the co-administrators who do not have a business relationship with TexStar. Finally, TexStar is rated AAAm by Standard and Poor's.

TexStar uses market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexStar is the same as the value of TexStar shares. A complete copy of the TexStar Operating Procedures may be obtained by contacting TexStar Participant Services, 1201 Elm Street, Suite 3500, Dallas, TX 75270.

JPMorgan Investment Management, Inc. ("JPMIM") and First Southwest Asset Management Inc. ("FSAM") serve as co-administrators for LOGIC under an agreement with the LOGIC board of directors (the "Board"). JPMIM provides investment management, fund accounting, transfer agency and custodial services. FSAM provides administrative and participant services and marketing. In addition, the LOGIC Advisory Board advises for LOGIC's Investment Policy and approves any fee increases. The Advisory Board is comprised of government officials, employees, or elected officials of participant government entities or individuals who do not have a business relationship with LOGIC and are qualified to advise it. A maximum of two Advisory Board members represent the co-administrators. Finally, LOGIC is rated AAAm by Standard & Poor's.

LOGIC uses market value to report net assets to compute share prices. Accordingly, the fair value of the position in LOGIC is the same as the value of LOGIC shares. A complete copy of the LOGIC Operating Procedures may be obtained by contacting LOGIC, 1201 Elm Street, Suite 3500, Dallas, TX 75270.

Cutwater Investor Services Corp. ("CISC") serves as the program administrator and investment advisor and is responsible for making all of the investment decisions within Texas CLASS. Wells Fargo Bank, N.A. serves as custodian for the pool. In addition, the Texas CLASS Advisory Board advises for Texas CLASS' Investment Policy, Investment Strategy, and other matters as requested by the Board of Trustees and Program Administrator. The Advisory Board is composed of participants and other persons who do not have a business relationship with the pool. Finally, Texas CLASS is rated AAAm by Standard & Poor's.

Texas CLASS uses fair value to report net assets to compute share prices. A complete copy of the Texas CLASS Operating Procedures may be obtained by contacting Texas CLASS, 717 17th Street, Suite 1850, Denver, CO 80202.

The City utilizes a pooled investment concept for most of its funds to maximize its investment program. Investment income from this internal pooling is allocated to the respective funds based upon the sources of funds invested.

The investment pool's authority may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium or national state of emergency that affects the pool's liquidity.

State statutes authorize the City to invest in obligation of the U.S. Treasury, commercial paper, corporate bonds, repurchase agreements, and the State Treasurer's Investment Pool.

Interest rate risk. In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to two years or less.

Credit risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's policy to limit its investments in these investment types to the following:

a. Obligations of the United States of America, its agencies and instrumentalities that meet the requirement of the Act.

b. Direct obligations of the State of Texas and agencies thereof that meet the requirement of the Act.

c. Other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America that meet the requirement of the Act.

d. Obligations of the States, agencies thereof, Counties, Cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than "A" or its equivalent that meet the requirement of the Act.

e. Certificates of deposit issued by state and national depository institutions that have its main office or branch office in this state.

f. Fully collateralized repurchase agreements, including flexible repurchase agreements with a defined termination date, whose underlying purchased securities meet the requirement of the Act. The ownership of the collateral for the repurchase agreement is transferred to the City, and deposited with a safekeeping agent for the duration of the contract and a signed master repurchase agreement has been executed with the counterparty. The securities received for repurchase agreements must have a market value greater or equal to 102 percent at the time funds are disbursed. All transactions shall be governed by a Master Repurchase Agreement between the City and the primary government securities dealer or financial institution doing business in this State that is initiating the Repurchase Agreement transaction.

g. Joint pools of political subdivisions in the State of Texas, as authorized by the Interlocal Cooperation Act, as amended, and the Public Funds Investment Act, as amended, which invest in instruments and follow practices required by the Act. A pool must be continuously rated no lower than AAA or AAA-m or at an equivalent rating by at least one nationally recognized rating agency.

h. Money Market Mutual Funds that meet the requirement of the Act.

i. Certificate of Deposit Account Registry Service (CDARS) deposited with a certificate of deposit issued by a depository institution that has its main office or branch office in this state that is selected by the investing entity pursuant to the requirements of Section 2256.010 of the Government Code.

Fair Value Measurements

The City categorizes its fair value measurements within the fair market value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The three levels of the fair value hierarchy are described as follows:

Level 1 – Quoted prices (unadjusted) in active markets for identical assets. These types of investments primarily include common stock and equities traded on public exchanges.

Level 2 – Significant observable inputs for the asset other than quoted prices included within Level 1 that are observable for similar securities, but not exact. These types of investments include US Government obligations and obligations of government agencies.

Level 3 – Significant unobservable inputs for an asset, as they trade infrequently or not at all. (The City does not value any investments using Level 3 inputs.)

The City does not have any investments requiring this valuation level disclosure at this time.

V. RECEIVABLES

Amounts are aggregated into a single accounts receivable (net of allowance for uncollectible) line for certain funds and aggregated columns. Below is the detail of receivables for general, debt service, 4A sales tax corporation, 4B sales tax corporation, water and wastewater, municipal airport, and drainage, including the applicable allowances for uncollectible accounts:

Receivables	General Fund	Debt Service Fund	4A Sales Tax Corp Fund	4B Sales Tax Corp Fund	Non-Major Governmental Funds	Water & Sewer	Municipal Airport	Drainage Utilities
Taxes - property	750,919	184,703	$ -	$ -	$ -	$ -	$ -	$ -
Taxes - sales	1,248,133	-	622,176	622,176	-	-	-	-
Trade accounts	1,649,399	-	-	-	-	3,670,507	10,757	28,401
Due from other governments	28,457	-	-	-	252,634	-	-	-
Other	422,727	-	4,919	64,320	405,176	-	-	-
Gross receivables	4,099,635	184,703	627,095	686,496	657,810	3,670,507	10,757	28,401
Less: Allowance for uncollectibles	(1,316,112)	(102,590)	-	-	-	(134,408)	-	-
Net receivables	$ 2,783,523	$ 82,113	$ 627,095	$ 686,496	$ 657,810	$ 3,536,099	$ 10,757	$ 28,401

VI. INTERFUND BALANCES

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

	Due From		
	General Fund	Water & Sewer	Total
Due To:			
Non-Major	$ 357,833	$ -	$ 357,833
Municipal Airport	134,726	448,798	583,524
Fiduciary	4,632	-	4,632
Total	$ 497,191	$ 448,798	$ 945,989

The outstanding balances between funds result mainly from the time lag between dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. These amounts also include balances of working capital loans made to several non-major governmental funds which the General Fund expects to collect in the subsequent year.

VII. CAPITAL ASSETS

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

Governmental Activities:	Balance October1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	$ 4,569,266	$ -	$ -	$ 4,569,266
Construction-in-progress	2,078,779	1,431,196	1,592,060	1,917,915
Total capital assets, not being depreciated	6,648,045	1,431,196	1,592,060	6,487,181
Capital assets, being depreciated:				
Structures	60,382,515	-	-	60,382,515
Improvements	25,601,955	299,746	-	25,901,701
Equipment	19,874,850	3,180,108	795,254	22,259,704
Infrastructure	44,239,396	1,592,060	-	45,831,456
Total capital assets, being depreciated	150,098,716	5,071,914	795,254	154,375,376
Less accumulated depreciation for:				
Structures	18,913,530	2,143,800	-	21,057,330
Improvements	11,924,637	1,060,613	-	12,985,250
Equipment	14,292,499	1,481,312	795,254	14,978,557
Infrastructure	33,568,440	858,339	-	34,426,779
Total accumulated depreciation	78,699,106	5,544,064	795,254	83,447,916
Total capital assets being depreciated, net	71,399,610	(472,150)	-	70,927,460
Governmental activities capital assets, net	$ 78,047,655	$ 959,046	$ 1,592,060	$ 77,414,641

Depreciation expense was charged to the function/programs of the governmental activities of the primary government as follows:

Governmental activities:	
General government	$ 305,040
Public safety	627,968
Public service	3,190,510
Public works	1,081,670
Sanitation	338,876
Total depreciation expense - governmental activities	$ 5,544,064

Business-type activities:	Balance October 1, 2019	Increases	Decreases	Balance September 30, 2020
Capital assets, not being depreciated:				
Land	$ 2,520,104	$ -	$ -	$ 2,520,104
Construction-in-progress	4,982,434	4,058,034	459,659	8,580,809
Total capital assets, not being depreciated	7,502,538	4,058,034	459,659	11,100,913
Capital assets, being depreciated:				
Structures	68,394,615	-	-	68,394,615
Improvements	16,788,679	459,657	-	17,248,336
Equipment	4,162,815	121,721	89,992	4,194,544
Infrastructure	69,223,035	-	-	69,223,035
Total capital assets, being depreciated	158,569,144	581,378	89,992	159,060,530
Less accumulated depreciation for:				
Structures	39,982,978	2,011,667	-	41,994,645
Improvements	9,809,303	541,895	-	10,351,198
Equipment	3,077,833	278,595	89,992	3,266,436
Infrastructure	37,092,699	2,960,602	-	40,053,301
Total accumulated depreciation	89,962,813	5,792,759	89,992	95,665,580
Total capital assets being depreciated, net	68,606,331	(5,211,381)	-	63,394,950
Business-type activities capital assets, net	76,108,869	(1,153,347)	459,659	74,495,863
Total Government	$ 154,156,524	$(194,301)	$ 2,051,719	$ 151,910,504

Depreciation expense was charged to the function/programs of the business-type activities of the primary government as follows:

Business-type activities:	
Water and Sewer	$ 5,306,316
Municipal Airport	211,818
Drainage Utilities	274,625
Total depreciation expense - business-type activities	$ 5,792,759

VIII. LEASE OBLIGATIONS

Operating Lease

The City leases equipment under noncancellable operating leases. The leases have terms of 3-5 years and are for the golf course, sports complex, and Splash Station. The total costs for the leases were $158,263 for the year ended September 30, 2020. The future lease payments for these leases are as follows:

Operating Leases

Year Ending September 30	Golf Course	Total
2021	93,066	93,066
2022	85,310	85,310
Total	$ 178,376	$ 178,376

The City leases copier equipment for multiple departments under noncancellable operating leases. The departments are charged a percentage of the lease amount according to each department's usage on a monthly basis.

Year Ending September 30	Annual Commitment
2021	55,505
2022	35,090
Total	$ 90,595

Capital lease

The City entered into a lease agreement as lessee to finance the acquisition of a Ladder Truck, excavator and golf course equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of future minimum lease payments as of the inception date.

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

Capital Leases

Year Ending September 30	Governmental Activities
2021	$ 298,618
2022	307,199
2023	387,518
Present value of minimum lease payments	$ 993,335

IX. LONG-TERM LIABILITIES

General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital equipment and facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General obligation bonds require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. The City is in compliance with this requirement.

General obligations bonds outstanding at September 30, 2020 are as follows:

Governmental activities:

General Obligation Bonds:	Interest Rate	Original Issue	Issue Date	Maturity Date	Outstanding
2010 General Obligation Refunding Bonds	2.00% - 4.00%	5,848,413	12/15/2010	2/15/2022	2,715,000
2011 General Obligation Refunding Bonds	2.00% - 3.00%	2,655,000	12/13/2011	2/15/2024	1,185,000
2016 General Obligation Bonds	2.89%-4.43%	24,875,000	1/1/2016	8/15/2036	22,855,000
					$ 26,755,000

Revenue Bonds

The City issues revenue bonds to provide funds for the acquisition and construction of major capital improvements. The revenue bonds related to governmental activities are obligations of the City solely secured by a pledge of the revenues. The revenues include the proceeds of a one-half percent sales and use tax levied. The revenue bonds related to business-type activities are obligations of the City secured by a pledge of net revenues for payment of principal and interest on the bonds.

The ordinances authorizing the issuance of Waterworks and Wastewater System Revenue Bonds created the Interest and Sinking Fund and Reserve Fund. The gross revenue of the waterworks and wastewater system, after deduction of reasonable expenses of operations and maintenance, are pledged to such funds in amounts equal to the total annual principal and interest requirements of the bonds and amount required to maintain the Reserve Fund. At September 30, 2020, the City was in compliance with these requirements.

The purpose of the bond issuances are as follows:

2009A and 2009B Revenue Bonds – Planning, design, and permitting phases to implement water management strategies identified in the 2006 Region 'G' Water Plan and the 2007 State Water Plan. This consists of the Lake Whitney Water Supply Project which includes a deep water intake structure, diversion pump station and a raw water pipeline. It also consists of a 5.0 MGD expansion to the City's existing water treatment plant.

2010 Revenue Bonds – Construction of water treatment plant expansion

2013 Revenue Bonds – Land acquisition, related acquisition services, planning and environmental for the Lake Whitney Water Supply Project.

2019 Revenue Bonds – For water and wastewater system improvements.

2020 Revenue Refunding Bonds – To refund Waterworks and Sewer System Revenue Bonds, Series 2009A, 2009 B and 2010.

Exhibited in the tables below are comparisons of pledged revenues to related principal and interest requirements for the fiscal year ending September 30, 2020.

Governmental activities:	
Sales Tax Revenues	$ 6,799,692
2017 4B Revenue Refunding Bonds	(1,092,800)
	$ 5,706,892
Business-type activities:	
Net Revenues	$ 11,059,293
2009A Revenue Bonds	(75,269)
2009B Revenue Bonds	(310,069)
2010 Revenue Bonds	(949,982)
2010 Revenue Refunding Bonds	(300,146)
2013 Revenue Bonds	(140,297)
	$ 9,283,530

Most of the revenue bonds are collateralized by the revenue of the water and sewer system and the various special funds established by the bond ordinances. The ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expense of the system and second to establish and maintain the revenue bond funds. Remaining revenues may then be used for any lawful purpose. These bonds have maturities that range from 20 to 30 years. Revenue bonds outstanding at September 30, 2020 are as follows:

Governmental activities:

Revenue Bonds:	Interest Rate	Original Issue	Issue Date	Maturity Date	Outstanding	Pledge
2016 4A Revenue Bonds	1.43% - 4.00%	$ 6,450,000	10/25/2016	8/15/2036	$ 5,635,000	$ 7,541,965
2017 4B Sales Tax Revenue Refunding Bonds	2.0% - 4.0%	12,985,000	2/14/2017	2/15/2032	10,870,000	13,093,063
					$ 16,505,000	

Business-type activities:

Revenue Bonds:	Interest Rate	Original Issue	Issue Date	Maturity Date	Outstanding	Pledge
2009A Revenue Bonds	0.148% - 3.066%	$ 1,180,000	4/21/2009	2/15/2029	$ 65,000	$ 65,695
2009B Revenue Bonds	0.148% - 3.066%	4,750,000	4/21/2009	2/15/2029	545,000	557,239
2010 Revenue Refunding Bonds	2.00% - 4.25%	4,860,000	12/15/2010	2/15/2024	7,890,000	8,800,302
2013 Revenue Bonds	.09% - 2.05%	2,380,000	11/26/2013	2/15/2033	1,660,000	1,820,348
2019 Revenue Bonds	.01% - .86%	41,000,000	11/30/2019	2/15/2044	41,000,000	44,404,857
2020 Revenue Refunding Bonds	1.37%	4,934,000	7/10/2020	2/15/2029	4,864,000	5,136,890
					$ 56,024,000	

Combination Tax and Revenue Bonds

The City issued combination tax and revenue bonds to provide funds for construction of major capital improvements. These bonds constitute obligations of the City secured by a lien on and pledge of the net revenues and taxes. They are collateralized by the revenue of the water and sewer system and property taxes of the governmental funds. These bonds have maturities that range from 13 to 21 years. Combination tax and revenue bonds outstanding at September 30, 2020 are as follows:

Governmental activities:

Combination Tax and Revenue Bonds:	Interest Rate	Original Issue	Issue Date	Maturity Date	Outstanding
2015 Combination Tax and Revenue Certificates of Obligation Bonds	2.0%-4.0%	$ 2,400,000	9/15/2015	2/15/2035	$ 2,275,000

Business-type activities:

Combination Tax and Revenue Bonds:	Interest Rate	Original Issue	Issue Date	Maturity Date	Outstanding
2013 Combination Tax and Revenue Refunding Bonds	3.5% - 5%	$ 37,390,000	12/15/2013	2/15/2026	$ 19,535,000
2013 Combination Tax and Revenue Certificates of Obligation Bonds	3.5% - 5%	8,430,000	12/15/2013	2/15/2034	7,375,000
2015 Combination Tax and Revenue Certificates of Obligation Bonds	3.0%-4.0%	6,685,000	9/15/2015	2/15/2035	5,890,000
					$ 32,800,000

New Debt Issued

The City issued $4,934,000 of Waterworks and Sewer System Revenue Refunding Bonds to refund and defease certain maturities of its existing outstanding bond issuances. Both 2009 series bonds were originally issued in April 2009 in the amount of $1,180,000 and $4,750,000, respectively. The outstanding interest rates range from 2.139% to 3.066%. The 2010 series bonds were issued in December 2012 in an amount that totaled $4,860,000, and has outstanding interest rates ranging from 4.00% to 4.25% The new debt would be level annual debt service, and there would be no extension of the original maturity in 2029.

The City issued $41,000,000 of Waterworks and Sewer System Revenue Bonds for the expansion of the City's Wastewater Treatment Plant and West Loop Reuse project. The source of repayment for these bonds is the increased base rates.

Other Obligations

During fiscal years 2009 and 2010, the City financed $7,238,225 with the State of Texas Comptroller's office (SECO notes) to fund an energy efficiency project for citywide enhancements to be paid in quarterly installments of $152,941 beginning May 31, 2011 and ending November 30, 2020 and $67,165 beginning May 31, 2011 and ending February 28, 2021.

The City received a determination in 2013 by the State of Texas Comptroller's office that the City had received $429,097 in sales tax receipts from the Comptroller's office in error over the past several years. The Comptroller's office agreed to allow the City to repay the excess sales tax revenue interest free over a period of fifteen years through reduced sales tax allocations from the state. During the Covid pandemic, these payments were suspended April 2020 through January 2021.The state began withholding $2,383 monthly from the City's sales tax allocations beginning in May 2013. As of September 30, 2020, this liability is reported at $231,151 in the governmental activities statement of net position.

Annual long-term debt service requirements to maturity are as follows:

	Governmental Activities				
	Certificates of Obligation Bonds and Self Supported Bonds		General Obligation Bonds		
September 30	Principal	Interest	Principal	Interest	Requirements
2021	$ 1,160,000	$ 603,617	$ 3,145,000	$ 1,010,376	$ 5,918,993
2022	1,200,000	563,152	2,330,000	904,651	4,997,803
2023	1,240,000	528,964	1,460,000	832,726	4,061,690
2024	1,260,000	499,709	1,515,000	777,176	4,051,885
2025	1,295,000	466,578	1,240,000	737,665	3,739,243
2026-2030	7,135,000	1,686,196	6,845,000	3,047,504	18,713,700
2031-2035	5,035,000	505,613	8,325,000	1,559,660	15,425,273
2036-2040	455,000	18,200	1,895,000	84,024	2,452,224
Total	$ 18,780,000	$ 4,872,029	$ 26,755,000	$ 8,953,782	$ 59,360,811

	SECO Notes		
September 30	Principal	Interest	Requirements
2021	$ 209,709	$ 2,635	$ 212,344
Total	$ 209,709	$ 2,635	$ 212,344

	Business-type Activities			
	Revenue and Refunding Bonds		Certificates of Obligation Bonds	
September 30	Principal	Interest	Principal	Interest
2021	$ 5,992,000	$ 1,323,292	$ 400,000	$ 545,900
2022	6,217,000	1,093,592	415,000	533,675
2023	6,416,000	892,742	430,000	521,000
2024	6,617,000	694,945	440,000	506,537
2025	6,839,000	470,064	460,000	489,875
2026-2030	15,733,000	1,279,623	5,335,000	1,895,262
2031-2035	9,890,000	807,988	5,785,000	581,625
2036-2040	9,770,000	512,074	-	-
2041-2045	8,085,000	137,356	-	-
Total	$ 75,559,000	$ 7,211,676	$ 13,265,000	$ 5,073,874

Long-term risk liability –

The long-term risk liability is for landfill closure and post closure care costs. State and federal laws and regulations require the City to place a cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post closure care costs as an operating liability in the government-wide governmental activities sanitation expense in each period based on landfill capacity used as of each balance sheet date. The City is required by state and federal laws and regulations to provide financial assurance for closure and post closure care.

The City reported $6,228,450 as landfill closure and post closure care liability in the governmental activities Statement of Net Position. This represents the cumulative amount reported to date based on the estimated current permitted capacity of the landfill. The available capacity is 0.53% of the landfill’s total capacity. This remaining capacity is used solely for the disposal of sludge created through the water treatment process. Based on this disposal volume, the City expects to close the landfill 11 years from the end of the current fiscal year, or the year 2031. The total cost of closure and post closure care is an estimate and is subject to changes resulting from inflation, deflation, technology, or changes in applicable laws and regulations.

Compensated absences –

Compensated absences represent the estimated liability for employees' accrued vacation and sick leave for which employees are entitled to be paid upon termination. The retirement of this liability is paid from the fund based on the assignment of an employee at termination. The governmental funds typically used in prior years to liquidate the liability for compensated absences are the general fund, HUD fund, and transportation fund.

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

Governmental Activities	Beginning Balance	Additions/ Accretion	Reductions	Ending Balance	Due Within One Year
General Obligation Bonds	$ 29,996,173	$ 28,827	$(3,270,000)	$ 26,755,000	$ 3,145,000
Certificates of Obligation	2,385,000	-	(110,000)	2,275,000	115,000
Revenue Bonds	17,515,000	-	(1,010,000)	16,505,000	1,045,000
Notes	1,070,148	-	(860,439)	209,709	209,709
Capital Leases	10,240	986,509	(3,414)	993,335	298,618
Sales Tax Due to State	245,446	-	(14,295)	231,151	28,596
Unamortized Premiums	598,071	-	(72,988)	525,083	68,550
	51,820,078	1,015,336	(5,341,136)	47,494,278	4,910,473
Long-term Risk Liability	6,228,448	2	-	6,228,450	-
Compensated Absences	6,518,712	1,054,868	(1,040,826)	6,532,754	653,275
Total Governmental Activities	$ 64,567,238	$ 2,070,206	$(6,381,962)	$ 60,255,482	$ 5,563,748
Business-type Activities					
Revenue Bonds Payable	$ 16,435,000	$ 45,934,000	$(6,345,000)	$ 56,024,000	$ 1,477,000
Refunding Bonds Payable	23,830,000	-	(4,295,000)	19,535,000	4,515,000
Certificates of Obligation	13,650,000	-	(385,000)	13,265,000	400,000
Unamortized Bond Premiums	1,723,705	-	(441,672)	1,282,033	351,441
Unamortized Bond Discounts	(52,632)	-	52,632	-	-
	55,586,073	45,934,000	(11,414,040)	90,106,033	6,743,441
Compensated Absences	792,383	147,693	(110,916)	829,160	82,916
Total Business-type Activities	56,378,456	46,081,693	(11,524,956)	90,935,193	6,826,357
Total Government	$ 120,945,694	$ 48,151,899	$(17,906,918)	$ 151,190,675	$ 12,390,105

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

When these liabilities are liqidated for governmental activites, the General Fund will be primarily responsible.

X. PENSION OBLIGATIONS

Employee Retirement Plans

The City of Cleburne participates in two pension plans; Texas Municipal Retirement System (TMRS) an agent-multiple employer traditional, joint contributory, hybrid defined benefit pension plan; and the Cleburne Firemen's Relief and Retirement Fund (FRRF), a single employer, contributory, defined benefit plan. Both plans are described in detail below. Aggregate amounts for the two pension plans are as follows:

	TMRS	FRRF	Total
Pension liability	$ 95,909,151	$ 37,085,259	$ 132,994,410
Pension assets	80,919,249	22,004,735	102,923,984
Net pension liability	$ 14,989,902	$ 15,080,524	$ 30,070,426
Deferred outflows of resources	$ 2,031,177	$ 2,416,814	$ 4,447,991
Deffered inflows of resources	3,018,408	238,347	3,256,755
Pension expense	2,457,479	1,343,131	3,800,610

Texas Municipal Retirement System (TMRS)

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

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

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.

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

Employee deposit rate	7.00%
Matching ratio (city to employee)	2 to 1
Years required for vesting	5
Service requirement eligibility	
(expressed as age / years of service)	60/5, 0/20
Updated service credit	50% Repeating
Annuity increase (to retirees)	50% of CPI Repeating
Supplemental Death Benefit to Active Employees	Yes
Supplemental Death Benefit to Retirees	Yes

Employees covered by benefit terms.

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

Inactive employees or beneficiaries currently receiving benefits	223
Inactive employees entitled to but not receiving benefits	207
Active employees	291
	721

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

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.69% and 16.06% in calendar year 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020, were $2,483,756, and were equal to the required contributions.

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

Actuarial assumptions:

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

Inflation	2.5% per year
Salary increases	3.5% to 11.50% including inflation
Investment Rate of Return	6.75%

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 The city should insert the plan provisions that they have adopted. For example, the city may include retirement eligibility, employee, and employer deposit rates, vesting requirements, and other provisions such as cost-of-living adjustments or updated service credit. Plan provisions, by city, are included in the last section of TMRS' Comprehensive Annual Financial Report (CAFR). The city may also want to refer to TMRS' Plan Description footnote, in the TMRS CAFR, to obtain additional language regarding the pension plan. mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	100.0%	

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

Changes in Net Pension Liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2018	$ 92,806,273	$ 71,831,334	$ 20,974,939
Changes for the year:			
Service cost	2,283,638	-	2,283,638
Interest	6,160,205	-	6,160,205
Difference between expected actual experience	(207,411)	-	(207,411)
Contributions - employer	-	2,367,435	(2,367,435)
Contributions - employee	-	1,058,157	(1,058,157)
Net investment income	-	11,098,556	(11,098,556)
Benefit payments	(5,371,599)	(5,371,599)	-
Administrative expense	-	(62,748)	62,748
Other	238,045	(1,886)	239,931
Net changes	3,102,878	9,087,915	(5,985,037)
Balance at 12/31/2019	$ 95,909,151	$ 80,919,249	$ 14,989,902

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

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

	1 % Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	$ 27,897,484	$ 14,989,902	$ 4,412,361

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*.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of $2,457,479.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 516,851
Changes in actuarial assumptions	174,054	-
Difference between projected and actual investment earnings	-	2,501,557
Contributions subsequent to the measurement date	1,857,122	-
Total	$ 2,031,177	$ 3,018,408

$1,857,122 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year end September 30:	Net of Deferred Outflows Minus Deferred Inflows
2021	$(973,268)
2022	(839,189)
2023	218,093
2024	(1,249,989)
Total	$(2,844,353)

Firefighter Relief and Retirement Fund (FRRF)

Plan Description. The city contributes to the retirement plan for firefighters in the Cleburne Fire Department known as the Cleburne Firefighter's Relief and Retirement Fund (the Fund). The Fund is a single employer, contributory, defined benefit plan. The benefit provisions of the Fund are authorized by the Texas Local Fire Fighters' Retirement Act (TLFFRA). TLFFRA provides the authority and procedure to amend benefit provisions. The plan is administered by the Board of Trustees of the Cleburne Firefighter's Relief and Retirement Fund. The city does not have access to nor can it utilize assets within the retirement plan trust. The Fund issues a stand-alone report pursuant to GASB Statement No. 67, which may be obtained by writing the Cleburne Firefighter's Relief and Retirement Fund at 114 West Wardville, Cleburne, Texas 76033. See that report for all information about the plan fiduciary net position.

Benefits provided. Firefighters in the Cleburne Fire Department are covered by the Cleburne Firefighter's Relief and Retirement Fund which provides service retirement, death, disability, and termination benefits. These benefits fully vest after 20 years of credited service. Firefighters become eligible for normal service retirement at age 50 with 20 years of service. If a terminated firefighter has a vested benefit but is not eligible for normal retirement, he may elect an actuarially equivalent early retirement benefit or he may wait to retire starting on the date he would have first satisfied both age and service requirements for normal retirement if he had remained a Cleburne firefighter. For firefighters hired before September 1, 2020, the present plan provides a monthly normal service retirement benefit, payable in a Joint and Two-Thirds to Spouse form of annuity, equal to a percentage of Final 84-Month average Salary equal to 62% plus 2% for each year of service in excess of 20, but not more than 92%. For firefighters hired on or after September 1, 2020, the benefit percentage is equal to 58% plus 1.9% for each year of services in excess of 20, but not more than 92%. Beginning January 1, 2020, the pay used to determine the final average salary will exclude unscheduled overtime.

A retiring firefighter eligible for normal service retirement has the option to elect the Reverse Deferred Retirement Option Plan (Reverse DROP) which will provide a lump sum benefit and a reduced monthly benefit. The reduced monthly benefit is based on the service and Final 60-Month Average Salary as if he had terminated employment on his selected Reverse DROP benefit calculation date, which is no earlier than the later of the date he meets the normal service retirement eligibility requirements and the date 60 months preceding the date he actually retires. Upon retirement, the member will receive, in addition to his monthly retirement benefit, a lump sum equal to the sum of (1) the amount of monthly contributions the member has made to the fund after the Reverse DROP benefit calculation date plus (2) the total of the monthly retirement benefits the member would have received between the Reverse DROP benefit calculation date and the date he retired under the plan. There are no account balances. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

There is no provision for automatic postretirement benefit increases. The Fund has the authority to provide, and has periodically in the past provided, ad hoc postretirement benefit increases.

Employees Covered by Benefit Terms.

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

Inactive employees or beneficiaries currently receiving benefits	44
Inactive employees entitled to but not yet receiving benefits	3
Active employees	63
	110

Contributions. The contribution provisions of the Fund are authorized by TLFFRA. TLFFRA provides the authority and procedure to change the amount of contributions determined as a percentage of pay by each firefighter and a percentage of payroll by the city.

The funding policy through September 2020 of the Fund requires contributions equal to 14% of pay by the firefighters beginning in October 2018, the rate elected by the firefighters according to TLFFRA to begin contributing 14.5% of pay in October 2020. The city currently contributes the same rate of payroll contributed for the city's other employees under the Texas Municipal Retirement System plus 6% of payroll but not less than 22%. The actual city contribution rate was 22.06% in 2018 and 22.0% in 2019. The Fund's December 31, 2018 actuarial valuation includes the assumption that the city contribution rate will be 22.0% over the unfunded liability amortization period. The costs of administering the plan are paid from the Fund assets.

Ultimately, the funding policy also depends upon the total return of the Fund's assets, which varies from year to year. Investment policy decisions are established and maintained by the board of trustees. The board selects and employs investment managers with the advice of their investment consultant who is completely independent of the investment managers. For the year ending December 31, 2019, the money-weighted rate of return on pension plan investments was 15.07%. This measurement of the investment performance is net of investment-related expenses, reflecting the effect of the timing of the contributions received and the benefits paid during the year.

While the contribution requirements are not actuarially determined, state law requires that each change in plan benefits adopted by the Fund must first be approved by an eligible actuary, certifying that the contribution commitment by the firefighters and the assumed city contribution rate together provide an adequate contribution arrangement. Using the entry age actuarial cost method, the plan's normal cost contribution rate is determined as a percentage of payroll. The excess of the total contribution rate over the normal cost contribution rate is used to amortize the plan's unfunded actuarial accrued liability (UAAL). The number of years needed to amortize the plan's UAAL is actuarially determined using an open, level percentage of payroll method.

Net pension liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by the actuarial valuation as of December 31, 2018, revised to reflect new plan provisions effective September 1, 2020 and rolled forward to December 31, 2019.

Total pension liability	$ 37,085,259
Plan fiduciary net position	22,004,735
City's net pension liability	$ 15,080,524

Actuarial Assumptions:

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3% per year
Salary increases	3% per year, plus promotion, step, and longevity increases that vary by service
Investment Rate of Return	7.35%, net of pension plan investment expense, including inflation

Mortality rates were based on the Pubs-2010 (public safety) total dataset morality tables for employees and for retirees (sex distinct), projected for mortality improvement generationally using the projection scale MP-2018.

The long-term expected rate of return on pension plan investments is reviewed for each biennial actuarial valuation and was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the longterm expected rate of return by weighting the expected future net real rates of return by the target asset allocation percentage (currently resulting in 4.38%) and by adding expected inflation (3%). In addition, the final 7.35% assumption was selected by rounding down. The target allocation and expected arithmetic net real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Equities		
Large cap domestic	23%	5.80%
Small cap domestic	13%	6.00%
International developed	16%	6.15%
Emerging markets	7%	7.35%
Fixed Income		
Domestic core	18%	1.22%
Global	17%	1.68%
Alternatives		
Real estate	6%	4.42%
Cash	0%	0.00%
Total	100%	
Weighted Average		4.38%

Discount Rate. The discount rate used to measure the total pension liability was 7.35%. No projection of cash flows was used to determine the discount rate because the December 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 31 years. Because of the 31-year amortization period of the UAAL, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments of 7.35% was applied to all periods of projected benefit payments as the discount rate to determine the total pension liability.

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

The following presents the net pension liability of the City, calculated using the discount rate of 7.35%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.35%) or 1-percentage-point higher (8.35%) than the current rate:

	1% Decrease in Discount Rate (6.35%)	Discount Rate (7.35%)	1% Increase in Discount Rate (8.35%)
City's net pension liability	$ 18,038,952	$ 15,080,524	$ 12,859,710

Pension Plan Fiduciary Net Position. The plan fiduciary net position reported above is the same as reported by the Fund. Detailed information about the plan fiduciary net position is available in the Fund's separately issued audited financial statements, which are reported using the economic resources measurement focus and the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Investments are reported at fair value, the price that would be recognized to sell an asset in an orderly transaction between market participants at the measurement date.

Changes in Net Pension Liability.

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of September 30, 2019[1]	$ 36,455,254	$ 19,362,808	$ 17,092,446
Changes for the year:			
Service cost	861,320	-	861,320
Interest	2,674,056	-	2,674,056
Change of benefit terms	(1,035,622)	-	(1,035,622)
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions by the city	-	1,012,847	(1,012,847)
Contributions by the firefighters	-	644,539	(644,539)
Net investment income	-	2,899,133	(2,899,133)
Benefit payments, including refunds of employee contributions	(1,869,709)	(1,869,709)	-
Administrative expense	-	(44,883)	44,883
Assumption changes	-	-	-
Net changes	630,045	2,641,927	(2,011,882)
Amounts as of September 30, 2020[2]	$ 37,085,299	$ 22,004,735	$ 15,080,564

[1]Measurements for the fiscal year ended September 30, 2017 were taken as of December 31, 2016.
[2]Measurements for the fiscal year ended September 30, 2018 were taken as of December 31, 2017.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. For the year ended September 30, 2020, the City recognized pension expense of $1,343,131. Amounts recognized in the fiscal year represent changes between the current and prior measurement dates.

Components of Pension Expense	
Service cost	$ 861,320
Interest	2,674,056
Employee contributions	(644,539)
Projected earnings on pension plan investments	(1,413,714)
Amortization of differences between projected and actual earnings on plan investments	532,971
Amortization of changes of assumptions	190,369
Amortization of differences between expected and actual experience	133,407
Pension plan administrative expenses	44,883
Changes in benefit provisions	(1,035,622)
Total pension expense	$ 1,343,131

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
Net difference between projected and actual earnings on pension plan investments	$ 349,972	$ -
Changes of assumptions	789,200	-
Differences between expected and actual experience	1,277,642	238,347
Total	$ 2,416,814	$ 238,347

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

Year Ended September 30	Net of Deferred Outflows Minus Deferred Inflows
2021	$ 475,064
2022	450,655
2023	628,802
2024	(14,509)
2025	241,538
Thereafter	396,917
Total	$ 2,178,467

The total of the contributions, $801,271, by the City to the Fund contributed subsequent to the measurement date of the net pension liability, December 31, 2019, through September 30, 2020 is a deferred outflow of resources that will be recognized as a reduction in the net pension liability in the fiscal year ending September 30, 2020.

XI. OTHER POST-EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS

Plan Description. The City provides health care benefits for retired employees and their eligible dependents unless the person is eligible for group health benefits coverage through another employer. Employees qualifying for retirement from the City (with at least 25 years of service with the City of Cleburne) may receive City paid health coverage for up to five years after they have retired or reached the age of 65, whichever comes first. An employee can elect retiree coverage only if he/she was covered under the plan at the time of retirement. Similarly, a retiree may elect to cover only those eligible dependents that were covered under the plan at the time the employee retires. Dependent coverage will be paid by the retiree. Employees reaching the age of 60 with 5 years of service may retire from the City; continued benefit coverage is available if paid by the retiree.

Duty and Non-Duty Disability Retirement

Employees qualifying for disability retirement will be provided the same benefits as other retirees.

Duty and Non-Duty Death-in-Service

In the event an employee dies while employed with the City, the employee's dependents are eligible for COBRA coverage at their expense.

Medicare Eligibility

Coverage supplements Medicare once retiree/spouse/dependent is enrolled in Medicare.

Spouse and Dependent Coverage

A retiree may elect to cover only those eligible dependents who were covered under the plan at the time the employee retires. Spouses are eligible to purchase medical/dental/vision/life retiree health coverage for life. The City does not contribute to the premium.

Employee/Retiree Contributions

Active employees do not contribute toward the cost of retiree benefits. Retired employees are currently eligible for a 5 year municipality benefit subsidy medical towards cost after 25 or more years of service; continuation of the benefit is contingent upon the City Council's continued approval. Retirement with anything less than 25 years of service does not qualify for any City subsidy and all premiums must be paid by the employee.

Coverage

The City administers a single-employer plan for retirees which includes coverage as described below.

Medical – The City offers three pre 65 Aetna health care coverage plans. The United Healthcare AARP Medicare plan includes prescription coverage and is available for those over the age of 65.

Dental – The City offers dental coverage through Met Life.

Vision – The City offers vision coverage through Superior Vision of Texas.

Life Insurance - Optional life insurance is available for retirees and family members at time of retirement. The policy is subject to an age reduction schedule (65% at age 65, 45% at age 70, 30% at age 75 and 20% at age 80). The retiree coverage is for $10,000 at a premium rate of $8.00 monthly, spouse/child coverage is for $5,000 and $2,500, respectively, at a premium rate of $1.50 monthly, and insurance is subject to age reduction schedule dependent upon retiree's age.

Funding Policy and Annual OPEB Cost. The City's annual other postemployment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Inactive employees or beneficiaries currently receiving benefits	90
Active employees	310
Total	400

Projections of health benefits are based on the plan as understood by the City and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the City and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Valuation Date	12/31/2019
Actuarial cost method	Entry Age Normal Method
Discount rate	2.75%
Inflation rate	2.50%
Projected salary increases	3.50% to 11.50% for TMRS and 3.25% to 9.45% for Firefighters, including inflation
Demographic Assumptions	TMRS: Based on the experience study covering the four year period ending December 31, 2018 as conducted for the Texas Municipal Retirement System (TMRS). Firefighters: The demographic assumptions are based on the same assumptions used to value the Cleburne Firefighter's Relief and Retirement Fund (Firefighters).
Mortality	TMRS: For healthy retirees, the gender-distinct 2019 Municipal Retirees of Texas mortality tables are used. The rates are projected on a fully generational basis using the ultimate mortality improvement rates in the MP tables to account for future mortality improvements. Firefighters: For healthy retirees, the gender-distinct RP2000 Combined Healthy Mortality Tables, projected to year 2024 by scale AA.
Health Care Trend Rates	7.20% decreasing to an ultimate rate of 4.25% over 15 years
Participation Rates	90% for retirees with over 25 years at retirement; 0% for retirees with less than 25 years and age less than 50 at retirement; 15% for retirees with less than 25 years and age at least 50 at retirement

The City's total OPEB liability of $8,342,558 was measured as of December 31, 2019 and was determined by an actuarial valuation as of December 31, 2019.

	Total OPEB Liability
Balance at 12/31/2018	$ 7,830,564
Changes for the year:	
Service cost	493,107
Interest	294,794
Difference between expected and actual experience	(34,842)
Changes of assumptions	21,336
Benefit payments	(262,401)
Net changes	511,994
Balance at 12/31/2019	$ 8,342,558

The following schedule shows the impact of the total OPEB liability if the discount rate used was 1% less than and 1% greater than the discount rate that was used (2.75%) in measuring the total OPEB liability.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 9,117,663	$ 8,342,558	$ 7,624,664

For the year ended September 30, 2020, the City recognized OPEB expense of $499,169. At September 30, 2020, the City reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experien	$ 21,476	$ 1,948,652
Changes in actuarial assumptions	303,813	167,683
Contributions subsequent to the measurement date	242,417	-
Totals	$ 567,706	$ 2,116,335

$242,417 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date are due to benefit payments the City paid with own assets and will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2021	$(288,732)
2022	(288,732)
2023	(288,732)
2024	(288,732)
2025	(290,321)
Thereafter	(345,797)
Total	$(1,791,046)

XII. DEFINED OTHER POST-EMPLOYMENT BENEFIT PLANS

TMRS Supplemental Death Benefits Fund

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

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

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

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

Inactive employees or beneficiaries currently receiving benefits	180
Inactive employees entitled to but not yet receiving benefits	42
Active employees	291
Total	513

Contributions. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation, which was 0.22% for 2020 and 0.22% for 2019, of which 0.07% and 0.07%, respectively, represented the retiree-only portion for each year, as a percentage of annual covered payroll. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to prefund retiree term life insurance during employees' entire careers. The City's contributions to the SDBF for the years ended September 30, 2020 and 2019 were $34,772 and $32,816, respectively, representing contributions for both active and retiree coverage, which equaled the required contributions each year.

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

Valuation Date	12/31/2019
Actuarial cost method	Entry Age Normal Method
Discount rate	2.75%
Inflation rate	2.50% per annum
Projected salary increases	3.5% to 11.5% including inflation

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

Mortality rates for active members 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 will be applied to reflect the impairment for younger members who become disabled for males and females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

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

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB Liability	$ 1,440,532	$ 1,195,319	$ 1,006,259

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources Related to OPEBs. At September 30, 2020, the City reported a liability of $1,195,319 for its Total OPEB Liability. The Total OPEB Liability was determined by an actuarial valuation as of December 31, 2019. For the year ended September 30, 2020, the City recognized OPEB expense of $114,138. There were no changes of benefit terms that affected measurement of the Total OPEB Liability during the measurement period.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at 12/31/2018	$ 1,135,266
Changes for the year:	
Service cost	40,645
Interest	42,677
Difference between expected and actual experience	(199,902)
Changes of assumptions and other inputs	187,171
Benefit payments	(10,538)
Net changes	60,053
Balance at 12/31/2019	$ 1,195,319

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 109,664	$ 160,396
Changes in actuarial assumptions	182,278	41,416
Contributions subsequent to the measurement date	8,268	-
Totals	$ 300,210	$ 201,812

$8,268 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the Total OPEB Liability for the year ending September 30, 2021. Other amounts of the reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Year Ended September 30,	
2021	$ 30,816
2022	30,816
2023	22,959
2024	5,689
2025	(151)
Total	$ 90,129

XIII. CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

Construction commitments. The City has active construction projects as of September 30, 2020. The projects include street construction, improvements and the construction of water and wastewater facilities. At year end the City's commitments with contractors are as follows:

Project	Spent to Date	Commitment Remaining
General Projects	$ 912,211	$ 20,126
Total Projects	$ 912,211	$ 20,126

The construction of water facility improvements and sewer facility improvements are being funded by the proceeds of bonds. All other construction projects are being funded by capital grants, operational revenue and the proceeds of other bonds.

XIV. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in the Texas Municipal League Intergovernmental Risk Pool (the Risk Pool) to provide insurance for workers' compensation benefits, liability and property coverage.

At September 30, 2020, the Risk Pool was self-sustaining based on premiums charged, so that total contributions plus compounded earnings on these contributions will be sufficient to satisfy claims and liabilities and other expenses. Premiums are assessed based on the rates set by the Texas State Board of Insurance and may be adjusted, on an annual basis, by the Risk Pool's Board of Trustees for each participating political subdivision's experience. The City is not liable for payments beyond the annual contributions.

The Risk Pool has purchased stop-loss coverage to protect the assets of the pool from catastrophic losses. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years, and there have been no significant reductions in insurance coverage during the current year.

XV. FUND BALANCE

Minimum fund balance policy. The governing council has adopted a financial policy to maintain a minimum level of fund balance 25 percent, or 90 days, of the fund's annual operating expenditures in the general fund. Fund balance that exceeds this minimum level may only be used for non-recurring capital projects and programs. The City avoids appropriation of fund balance in annual operating expenditures in order to ensure that current expenditures are funded with only current revenues. If this policy is not met, an explanation of the circumstances requiring the deviation from policy must be presented and approved by the council. The council communication must include a plan to move back in line with these established policies.

XVI. INTERFUND TRANSFERS

The composition of interfund transfers for the year ended September 30, 2020, is as follows:

	Transfers Out							
	General Fund	4B Sales Tax Corp Fund	General Projects	Non-Major Governmental	Water & Sewer	Municipal Airport	Drainage Utilities	Total
Transfers In:								
General Fund	$ -	$ 1,254,198	$ -	$ 834,272	$ 2,728,510	$ -	$ 82,514	$ 4,899,494
Debt Service	-	-	880,424	-	-	-	-	880,424
General Projects	721,822	-	-	365,403	793,200	-	-	1,880,425
Non-Major	28,161	-	28,163	-	-	922	-	57,246
Total	$ 749,983	$ 1,254,198	$ 908,587	$ 1,199,675	$ 3,521,710	$ 922	$ 82,514	$ 7,717,589

Transfers are primarily used to move funds from: (1) the proprietary funds to the general fund for an allocated amount of wages and other related costs of personnel who perform administrative services, (2) the non-major governmental funds to the debt service fund to pay various long term debt, (3) the non-major governmental funds to proprietary funds was for capital grant match and to the general fund for various operating and capital expenditures, (4) the transfer from the general fund to the capital projects fund is primarily for capital replacement.

XVII. CONTINGENCIES

The City participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City's legal counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

XVIII. TAX ABATEMENT INCENTIVES

The City enters into economic development agreements designed to promote development and redevelopment within the City, spur economic improvement, stimulate commercial activity, generate additional sales tax and enhance the property tax base and economic vitality of the City. A portion of the City’s economic development agreements are authorized under Chapter 312 (Property Redevelopment and Tax Abatement) of the Texas Tax Code. The economic development agreements are designed to support the creation of new businesses, the expansion and retention of existing businesses within the City, and the attraction of companies that offer high impact jobs and share the community’s values. Recipients may be eligible to receive economic assistance based on the employment, economic or community impact of the project requesting assistance. Recipients generally commit to building or remodeling real property and related infrastructures, redeveloping properties, expanding operations or bringing targeted businesses to the City. These agreements have no formal recapture provisions. For FY 2020, the City abated $604,660 in taxes.

The City enterers into various agreements under Chapter 380 of the Texas Local Government Code to stimulate economic development. Agreements may rebate a flat amount or percentage of sales taxes received by the City, may result in fee reductions such as utility charges or building inspection and permit fees, or make lump sum payments to offset moving expenses, tenant finish-outs, demolition costs, infrastructure reimbursements, redevelopment costs, or other expenses. The City had one entity with an agreement under Chapter 380. There is no formal recapture provision, with the exception of the entity violating 8 USC Section 132a(s) for employment of undocumented workers. For FY 2020, the City rebated $201,118 in taxes.

XIX. IMPLEMENTATION OF NEW ACCOUNTING STATEMENTS

The following statements for the GASB are effective for future fiscal years ending as listed below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City’s financial statements.

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

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

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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November 18, 2021

$18,380,000

CITY OF CLEBURNE, TEXAS
GENERAL OBLIGATION REFUNDING BONDS
TAXABLE SERIES 2021

WE HAVE represented the City of Cleburne, Texas (the "Issuer") as its bond counsel in connection with an issue of bonds described as follows:

CITY OF CLEBURNE, TEXAS GENERAL OBLIGATION REFUNDING BONDS, TAXABLE SERIES 2021, dated November 1, 2021, in the principal amount of $18,380,000 (the "Bonds").

The Bonds mature, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the ordinance adopted by the City Council of the Issuer on October 26, 2021 authorizing their issuance (the "Ordinance).

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of certified proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Bonds. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of proceedings pertaining to the Bonds, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; an escrow agreement (the "Escrow Agreement") between the Issuer and Zions Bancorporation, National Association, Amegy Bank Division, Houston, Texas, as escrow agent (the "Escrow Agent"); a report (the "Report") of Public Finance Partners LLC, verifying the sufficiency of the deposits made with the Escrow Agent for defeasance of the obligations being refunded (the "Refunded Obligations"); customary certificates of officers, agents, and representatives of the Issuer and other public officials; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined executed Bond No. 1 of this issue.

In providing the opinions set forth herein, we have relied on representations of the Issuer and other parties involved with the issuance of the Bonds with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(1) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and therefore the Bonds constitute valid and legally binding obligations of the Issuer;

(2) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations pursuant to the Escrow Agreement, and therefore, the Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Escrow Agreement; and

(3) A continuing ad valorem tax upon all taxable property within the Issuer, necessary to pay the principal and interest on the Bonds, has been levied and pledged irrevocably for such purposes; and the total indebtedness of the Issuer, including the Bonds, does not exceed any constitutional, statutory or other limitations.

THE RIGHTS OF THE OWNERS of the Bonds are subject to the applicable provisions of the federal bankruptcy laws and any other similar laws affecting the rights of creditors of political subdivisions generally, and may be limited by general principles of equity which permit the exercise of judicial discretion.

IN PROVIDING SUCH OPINIONS, we have relied on representations of the Issuer and the Issuer's financial advisor, with respect to matters solely within the knowledge of the Issuer and the Issuer's financial advisor, respectively, which we have not independently verified.

WE OBSERVE THAT interest on the Bonds is not excludable from gross income for federal income tax purposes under existing law. We express no opinion as to the amount of interest on the Bonds or to any federal, state or local tax consequences resulting from the receipt or accrual of interest on or acquisition, ownership or disposition of the Bonds.

THE OPINIONS SET FORTH ABOVE are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective.

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