NEW ISSUE	**OFFICIAL STATEMENT**	**S&P: "BBB"**
BOOK-ENTRY-ONLY	**March 8, 2022**	**(See "RATINGS" herein.)**

In the opinion of Bond Counsel, interest on the Certificates (defined below) will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.

THE CERTIFICATES HAVE BEEN DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$1,000,000
CITY OF SEADRIFT, TEXAS
(Calhoun County)
COMBINATION TAX AND SURPLUS HARBOR SYSTEM REVENUE
CERTIFICATES OF OBLIGATION, SERIES 2022

Dated: March 1, 2022 (interest to accrue from the Delivery Date) **Due: September 1, as shown on page ii**

The City of Seadrift, Texas (the "City") Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1505, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Certificates (the "Ordinance") adopted by the City Council of the City on March 8, 2022 (see "THE CERTIFICATES – Authority for Issuance" herein).

The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. The Certificates are additionally secured by a limited pledge (not to exceed $1,000) of the "Surplus Revenues" of the City's Harbor System, as provided in the Ordinance. See "THE CERTIFICATES – Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein. Interest on the Certificates will accrue from the Delivery Date (defined herein) and will be payable March 1 and September 1 of each year until stated maturity or prior redemption, commencing March 1, 2023, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued only as fully registered obligations in denominations of $5,000 or any integral multiple thereof within a stated maturity.

The definitive Certificates will be issued as fully registered Certificates in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank Trust Company, National Association, Houston, Texas, as Paying Agent/Registrar, to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for (1) the construction of improvements to the City's harbor, and (2) the payment of professional services and costs of issuance related thereto (see "THE CERTIFICATES – Purpose").

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2031 or any date thereafter, at par value plus accrued interest to the date of redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See "THE CERTIFICATES – Redemption Provisions").

SEE MATURITY SCHEDULE ON PAGE ii

The Certificates are offered when, as and if issued and subject to the approval of legality by the Attorney General of the State of Texas and Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter of the Certificates named below (the "Underwriter") by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas. The Certificates are expected to be available for initial delivery to the Underwriter through the facilities of DTC on or about April 7, 2022 (the "Delivery Date").

SAMCO CAPITAL MARKETS

STATED MATURITY SCHEDULE
CUSIP Base Number: 811723

$1,000,000
CITY OF SEADRIFT, TEXAS
Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2022

$185,000 Serial Certificates

Maturity Date (9/1)	Principal Amount	Interest Rate	Yield[1]	CUSIP Suffix[2]
2023	$ 20,000	4.00%	1.70%	BB0
2024	40,000	4.00	2.00	BC8
2025	40,000	4.00	2.20	BD6
2026	40,000	4.00	2.40	BE4
2027	45,000	4.00	2.55	BF1

$815,000 Term Certificates

$190,000 3.00% Term Certificates due September 1, 2031; Priced at $100.000 to Yield 3.00%; CUSIP No. Suffix[2]: BK0

$220,000 4.00% Term Certificates due September 1, 2035; Priced at $106.866 to Yield 3.15%[3]; CUSIP No. Suffix[2]: BP9

$260,000 4.00% Term Certificates due September 1, 2039; Priced at $106.197 to Yield 3.23%[3]; CUSIP No. Suffix[2]: BT1

$145,000 5.00% Term Certificates due September 1, 2041; Priced at $117.617 to Yield 2.85%[3]; CUSIP No. Suffix[2]: BV6

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2031 or any date thereafter, at par value plus accrued interest to the date of redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See "THE CERTIFICATES – Redemption Provisions").

---

(1) Yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.
(2) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the Underwriter, the City or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.
(3) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on September 1, 2031, the first optional call date for such Certificates, at a redemption price of par plus accrued interest to the date of redemption.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to the accuracy or completeness and is not to be construed as a promise or guarantee of the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

The information and expressions of opinion contained herein are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described.

THIS OFFICIAL STATEMENT IS INTENDED TO REFLECT FACTS AND CIRCUMSTANCES ON THE DATE OF THIS OFFICIAL STATEMENT OR ON SUCH OTHER DATE OR AT SUCH OTHER TIME AS IDENTIFIED HEREIN. NO ASSURANCE CAN BE GIVEN THAT SUCH INFORMATION MAY NOT BE MISLEADING AT A LATER DATE. CONSEQUENTLY, RELIANCE ON THIS OFFICIAL STATEMENT AT TIMES SUBSEQUENT TO THE ISSUANCE OF THE CERTIFICATES DESCRIBED HEREIN SHOULD NOT BE MADE ON THE ASSUMPTION THAT ANY SUCH FACTS OR CIRCUMSTANCES ARE UNCHANGED.

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

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

NONE OF THE CITY, THE FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM.

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 THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS. SEE "FORWARD LOOKING STATEMENTS" HEREIN.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The City	The City of Seadrift, Texas (the "City") is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"). The City is the located within Calhoun County and along the Texas Gulf Coast, and is 140 miles southeast of San Antonio, 155 miles south of Austin, and 140 miles southwest of Houston.
The Certificates	$1,000,000 City of Seadrift, Texas, Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2022, dated March 1, 2022, maturing as described on the inside cover page of this Official Statement.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (1) the construction of improvements to the City's harbor, and (2) the payment of professional services and costs of issuance related thereto.
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Houston, Texas, (see "REGISTRATION, TRANSFER AND EXCHANGE – Initial Paying Agent/Registrar" herein). Initially, the City intends to use the Book-Entry-Only System of The Depository Trust Company (see "BOOK-ENTRY-ONLY SYSTEM" herein.)
Authorization and Security	The Certificates will constitute a direct obligation of the City issued pursuant to Constitution and the general the laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1505, Texas Government Code, as amended, and an ordinance authorizing the issuance of the Certificates (the "Ordinance") adopted by the City Council of the City on March 8, 2022. The Certificates constitute direct obligations of the City payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the City. The Certificates are additionally secured by a limited pledge (not to exceed $1,000) of the "Surplus Revenues" of the City's Harbor System, as provided in the Ordinance.
Redemption Provisions	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after September 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2031 or any date thereafter, at par value plus accrued interest to the date of redemption. The Term Certificates (hereinafter defined) are subject to mandatory sinking fund redemption as described herein.
Tax Exemption	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS" herein.
Qualified Tax-Exempt Obligations	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.
Ratings	The Certificates have been assigned a rating of "BBB" by S&P Global Ratings, a division of S&P Global Ratings Inc. ("S&P"). An explanation of the significance of such rating may be obtained from the rating agency. (See "RATINGS" herein.)
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.
Delivery	When issued, anticipated on or about April 7, 2022.

CITY OF SEADRIFT, TEXAS
501 S. Main Street
Seadrift, TX 77983
Telephone: (361) 785-2251

ELECTED OFFICIALS

CITY COUNCIL

Name	Term Expires (May)	Occupation
Elmer DeForest Mayor	2022	Consultant
Ranier Brigham Mayor Pro-Tem	2022	Fishing Guide
Peggy Gaines	2022	Homemaker
Tracey Johnson	2023	Sales Manager
Kenneth Reese	2023	Retired
Geoffrey Hunt	2023	Harbor Captain

APPOINTED OFFICIALS

Name	Position	Time with the City	Years of Experience
Gabriela Torres	City Secretary	6 years	4 years

BOND COUNSEL AND ADVISORS

Bond Counsel
Bickerstaff Heath Delgado Acosta LLP
3711 S. MoPac Expwy, Bldg 1, Suite 300
Austin, TX 78746

Certified Public Accountants
Goldman, Hunt & Notz, L.L.P.
5606 North Navarro St., Suite 309
Victoria, Texas 77904

Financial Advisor
RBC Capital Markets, LLC
303 Pearl Parkway, Suite 220
San Antonio, Texas 78215

TABLE OF CONTENTS

The Cover Page, Table of Contents, and Appendices attached hereto are part of the Official Statement

[The remainder of this page intentionally left blank]

OFFICIAL STATEMENT
relating to

CITY OF SEADRIFT, TEXAS
(Calhoun County)
$1,000,000 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2022

INTRODUCTORY STATEMENT

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

There follows in this Official Statement a description of the Certificates and certain information about 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 and, during the offering period, from RBC Capital Markets, LLC, the Financial Advisor, upon payment of reasonable copying, handling, and delivery charges. Certain capitalized terms used in the Official Statement have meanings assigned to them in the Ordinance (defined herein) authorizing issuance of the Certificates, except as otherwise indicated herein.

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

THE CERTIFICATES

General Description

The Certificates will be dated March 1, 2022 (the "Dated Date"), and will be issued in fully-registered form, in principal denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Certificates will accrue from the Delivery Date and interest will be paid semiannually on March 1 and September 1 of each year, commencing March 1, 2023. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates and in the amounts as set forth on page ii hereof.

Principal and interest on the Certificates will be paid by U.S. Bank Trust Company, National Association, Houston, Texas (the "Paying Agent/Registrar"). Subject to the requirements associated with the use of the Book-Entry-Only System, interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the "Owners") appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense, of such Owner. Principal will be paid to the Owners at maturity or prior redemption upon presentation and surrender of the Certificates to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which 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 on which 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. The City will initially use the Book-Entry-Only System of The Depository Trust Company, New York, New York ("DTC"), in regard to the issuance, payment and transfer of the Certificates. Such system will affect the timing and method of payment of the Certificates (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, Chapter 1505, Texas Government Code, as amended, and the Ordinance adopted by the City Council of the City on March 8, 2022.

Purpose

Proceeds from the sale of the Certificates will be used for (1) the construction of improvements to the City's harbor, and (2) the payment of professional services and costs of issuance related thereto.

Legality

The Certificates are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel (see "LEGAL MATTERS" herein).

Security and Source of Payment

Tax Pledge . . . The Certificates constitute direct obligations of the City payable from an annual ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" below).

Pledge of Surplus Harbor System Revenues for Certificates . . . The Certificates are additionally secured by a limited pledge (not to exceed $1,000) from the surplus revenues ("Surplus Revenues") of the City's Harbor System, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's Harbor System, as provided in the Ordinance.

Redemption Provisions

Optional Redemption . . . The City reserves the right, at its sole option, to redeem Certificates having stated maturities on and after September 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on September 1, 2031 or any date thereafter, at the par value plus accrued interest to the date fixed for redemption.

If less than all of the respective Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (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.

Mandatory Sinking Fund Redemption. . . The Certificates stated to mature on September 1 in the years 2031, 2035, 2039, and 2041 (the "Term Certificates") are subject to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption price of par plus accrued interest to the date of redemption on the dates and in the principal amounts as follows:

$190,000 Term Certificates due September 1, 2031

Mandatory Redemption Date (09/01)	Principal Amount
2028	$45,000
2029	45,000
2030	50,000
2031*	50,000

$220,000 Term Certificates due September 1, 2035

Mandatory Redemption Date (09/01)	Principal Amount
2032	$50,000
2033	55,000
2034	55,000
2035*	60,000

$260,000 Term Certificates due September 1, 2039

Mandatory Redemption Date (09/01)	Principal Amount
2036	$60,000
2037	65,000
2038	65,000
2039*	70,000

$145,000 Term Certificates due September 1, 2041

Mandatory Redemption Date (09/01)	Principal Amount
2040	$70,000
2041*	75,000

*Stated Maturity

At least forty-five days prior to each mandatory redemption date specified above that the Term Certificate is to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificate within the applicable maturity to be redeemed on the next following September 1 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Certificate not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Certificate required to be redeemed pursuant to the operation of such mandatory redemption provisions may be reduced, at the option of the City, by the principal amount of the Term Certificate of the same maturity which at least fifty (50) days prior to a mandatory redemption date (i) shall have been defeased or acquired by the City at a price not exceeding the principal amount of such Term Certificate plus accrued interest to the date of purchase and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City with money in the Interest and Sinking Fund.

Notice of Redemption for the Certificates . . . Not less than 30 days prior to a redemption date for the Certificates, 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 Certificates 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. The notice with respect to optional redemption may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption shall be of no effect if such moneys are not so deposited or if the notice is so rescinded. 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 AND FUNDS TO PAY THE REDEMPTION PRICE OF SAID CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

DTC Redemption Provisions . . . The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC Participant, or of any Direct Participant or Indirect Participant to notify the beneficial owner, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for account of DTC Participants in accordance with its rules or other agreements with DTC Participants and then Direct Participants and Indirect Participants may implement a redemption of such Certificates and such redemption 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 persons for whom DTC Participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Certificates. The Ordinance provides that the term "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City 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, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state and that, on the date the governing body of the City approves the proceedings authorizing the issuance of refunding bonds, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (d) any other then authorized securities or obligations under applicable state laws that may be issued to defease obligations such as the Certificates. 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 Certificates. Because the Ordinance does not contractually limit such investments, registered owners will 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 State law.

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

Amendments

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (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 that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Certificates aggregating a majority in principal amount of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Certificates so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Certificates; (ii) reducing the rate of interest borne by any of the outstanding Certificates; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates of such series, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

Record Date

The record date ("Record Date") for determining the person to whom the interest is payable on the Certificates on any interest payment date means the fifteenth calendar day of the preceding month.

Special Record Date for Interest Payment

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

Limitation on Transfer of Certificates

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable by the registered owner of the uncalled balance of a Certificate.

Payment Record

The City has never defaulted on the payment of its bonded indebtedness.

Sources and Uses of Proceeds

The following table shows the estimated sources and uses of the proceeds of the Certificates:

Sources:		
	Principal Amount of the Certificates	$1,000,000.00
	Reoffering Premium on the Certificates	67,532.90
	Total Sources of Funds	**$1,067,532.90**
Uses:		
	Deposit to Project Fund	$1,000,000.00
	Costs of Issuance and Underwriter's Discount	67,532.90
	Total Uses of Funds	**$1,067,532.90**

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC, while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the Certificates or redemption, or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with DTC.

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each stated maturity of the Certificates, each in the aggregate principal amount thereof, 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 certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

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

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

Principal, interest and redemption payments on the Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Paying Agent/Registrar, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, 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 principal, interest and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City or the Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered.

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

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

Use of Certain Terms in Other Sections of this Official Statement

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

ENFORCEMENT OF REMEDIES

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners of the Certificates, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy 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 Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) ("*Tooke*"), 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 Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates 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 Certificates. 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.

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.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the duties of DTC with regard to ownership of the Certificates. Initially, the only registered owner of the Certificates will be Cede & Co., as DTC's nominee.

REGISTRATION, TRANSFER AND EXCHANGE

Initial Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank Trust Company National Association, Houston, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar for the Certificates. If the Paying Agent/Registrar is replaced by the City, the Paying Agent/Registrar, promptly upon the appointment of its successor, is required to deliver the registration records to the successor Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank, trust company or other entity duly qualified and legally authorized to serve as and perform the duties of Paying Agent/Registrar. Upon any change in the Paying Agent/Registrar for the Certificates, the City shall promptly cause a written notice of such change to be sent to each registered owner of the Certificates affected by the change, by United States mail, first class postage prepaid, which notice shall give the address for the new Paying Agent/Registrar.

Future Registration

In the event the use of the "Book-Entry-Only System" for the Certificates should be discontinued, printed security certificates will be delivered to the registered owners of the Certificates affected thereby and thereafter such Certificates may be transferred, registered and assigned on the registration books only upon presentation and surrender of such printed security certificates to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner except for any tax or other governmental charges required to be paid with respect to such registration and transfer. The Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new security certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the owner in not more than three (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New security certificates registered and delivered in an exchange or transfer shall be in denominations of $5,000 of principal amount for any one maturity or any integral multiple thereof and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Mutilated, Destroyed, Lost, or Stolen Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of and in substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar evidence satisfactory to them that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market 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.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

Certain goods that are acquired in or imported into the State to be forwarded outside the State, and are detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue taxing Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, that are acquired in or imported into the State to be forwarded to another location within or without the State, stored in a location that is not owned by the owner of the goods and are transported to another location within or without the State within 175 days ("Goods-in-Transit"), are generally exempt from ad valorem taxation; however, the Property Tax Code permits a taxing unit, on a local option basis, to tax Goods-in-Transit if the taxing unit takes official action, after conducting a public hearing, before January 1 of the first tax year in which the taxing unit proposes to tax Goods-in-Transit. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include aircraft or special inventories such as manufactured housing inventory, or a dealer's motor vehicle, boat, or heavy equipment inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the Governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised. There is currently no judicial precedent for how the statute will be applied but Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

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

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

For cities with a population less than 30,000 as of the most recent federal decennial census, if the adopted tax rate for any tax year exceeds the greater of (i) the voter-approval tax rate or (ii) the de minimis rate, the city must conduct an election on the next occurring November uniform election date to determine whether or not to reduce the adopted tax rate to the voter-approval tax rate. However, for any tax year during which a city has a population of less than 30,000 as of the most recent federal decennial census 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 Certificates.

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

City and Taxpayer Remedies

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

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

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

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. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. 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 as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

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

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts.

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

City Application of Property Tax Code

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

The City does grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older.

The City does grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not tax Freeport Property.

The City does not tax Goods-in-Transit.

The City does offer tax abatements.

The City does not participate in a TIRZ.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas 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: (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 of the Texas Government Code (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) certificates of deposit and share certificates 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) 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 certificates 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 certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), 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 Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission 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 "AAA-m" or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with City funds, and 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.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly, the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City on the date of the report, (2) be prepared jointly by all investment officers of the City, (3) be signed by each investment officer of the City, (4) contain a summary statement, prepared in compliance with generally accepted accounting principles, of each pooled fund group that states the: (a) beginning market value for the reporting period, (b) additions and changes to the market value during the period, (c) ending market value for the period, and (d) fully accrued interest for the reporting period, (5) state the book value and market value of each separately invested asset at the beginning and end of the reporting period by the type of asset and fund type invested, (6) state the maturity date of each separately invested asset that has a maturity date, (7) state the account or fund or pooled group fund of the City for which each individual investment was acquired, and (8) state the compliance of the investment portfolio of the City as it related to (a) the investment strategy expressed in the City's investment policy, and (b) Texas law. No person may invest City funds without express written authority from the City Council.

Additional Provisions

Under Texas law, the City is additionally required to (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and record 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 entity 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 (i) is dependent on an analysis of the makeup of the City's entire portfolio, (ii) requires an interpretation of subjective investment standards, or (iii) 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 treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in 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.

See Appendix A for a description of the City's current investments.

PENSION PLANS AND RETIREMENT FUND

All qualified employees of the City are members of the Texas Municipal Retirement System. Covered employees of the City contribute 5% of gross covered salary. The City's contribution is determined annually by actuarial study as a percent of gross covered payroll. For the calendar year 2019, the rate was 4.83%. For additional information, refer to the notes to the Combined Financial Statements for the year ended September 30, 2020, in Appendix C herein.

TAX MATTERS

Opinion

In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel to the City, assuming continuing compliance by the City with the tax covenants described below, under existing law, interest on the Certificates is excludable for federal income tax purposes in the gross income of the owners thereof pursuant to Section 103 of the Internal Revenue Code of 1986, as amended ("Code"), and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax imposed on individuals.

In rendering its opinion, Bond Counsel has relied on the City's covenants contained in the Ordinance and the City's covenants contained in the Arbitrage and Tax Certificate, that it will comply with the applicable requirements of the Code, relating to, inter alia, the use and investment of proceeds of the Certificates and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Certificates being subject to federal income tax from the date of issue of the Certificates. Bond Counsel has not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date of issuance of the Certificates that may affect the tax-exempt status of the interest.

Except as stated above, Bond Counsel will express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates.

Bond Counsel's opinions are based on existing law, which is subject to change. Such opinions are further based on Bond Counsel's knowledge of facts as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, Bond Counsel's opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent Bond Counsel's legal judgment based upon its review of existing law and in reliance upon the representations and covenants referenced above that it deems relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Certificates. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer and the registered owners may not have a right to participate in such audit. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit regardless of the ultimate outcome of the audit.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the federal or state level, may adversely affect the tax-exempt status of interest on the Certificates under federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Certificates"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments made thereon. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year. Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such

Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate is accrued daily to the stated maturity thereof (in amounts calculated as described below for each accrual period and ratably within each such accrual period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Certificate for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Certificates should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Certificate and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Certificate.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation. Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Certificates, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Certificates under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Certificates would not be "qualified tax-exempt obligations."**

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

It is the obligation of the Underwriter to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Underwriter’s written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general or special consent to service of process in any jurisdiction.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

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

LEGAL MATTERS

The delivery of the Certificates is subject to the approval opinion of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City and the legal opinion of Bond Counsel, to like effect and that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. The form of Bond Counsel’s opinion is attached hereto as Appendix D.

Though it represents the Underwriter and the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. Except as noted below, Bond Counsel did not take part in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions “THE CERTIFICATES” (except under the subcaption “Payment Record” and “Sources and Uses of Proceeds”), “REGISTRATION, TRANSFER AND EXCHANGE”, “TAX MATTERS”, “REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE”, “LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS”, “LEGAL MATTERS” (excluding the last sentence of the second paragraph thereof), “REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE,” and “CONTINUING DISCLOSURE OF INFORMATION” (except under the subcaption “Compliance With Prior Undertakings”) and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas.

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

RATINGS

The Certificates have been assigned a rating of “BBB” by S&P Global Ratings, a division of S&P Global Ratings Inc. (“S&P”). An explanation of the significance of such rating may be obtained from S&P.

The rating of the Certificates reflects only the view of said company at the time the rating is given, and the City makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

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 Certificates. The City is required to observe the agreement while it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB") via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org, as further described below under "Availability of Information."

Annual Reports

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City’s continuing disclosure obligations because the City does not have more than $10,000,000 in aggregate amount of outstanding debt offered pursuant to SEC Rule 15c2-12 (the "Rule") and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Certificates.

The City will provide certain updated financial information and operating data, which is customarily prepared by the City and is publicly available, to the MSRB on an annual basis. Such information to be provided consists of the City's audited financial statements. The City will update and provide this information within 12 months after the end of each fiscal year commencing with the fiscal year ending September 30, 2022. The financial statements of the City will be audited, if the City commissions an audit of such financial statements and the audit is completed within the period during which it must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available. The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule.

The City’s current fiscal year end is September 30. Accordingly, it must provide its audited financial statements by the last day of September in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Notice of Occurrence of Certain Events

The City also will provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten (10) business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (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 action, or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) the appointment of a successor or additional paying agent/registrar or change of name of the 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 timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB. Neither the Certificates nor the Ordinance make any provision for debt service reserves, credit enhancement, or liquidity enhancement.

For these purposes, any event described in clause (12) of 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 the 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 described event notices (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.

Notice of Failure to Timely File

The City also will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide financial information or operating data in accordance with the provisions described above.

Availability of Information

All information and documentation filings required to be made by the Issuer will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings is provided, without charge to the general public, by the MSRB through its EMMA system at www.emma.msrb.org. Pursuant to subsection (d)(2)(iii) of Rule 15c2-12, the forgoing information, data and notices can be obtained from the City Secretary, Gabriela Torres, 501 S. Main Street, Seadrift, Texas 77983, Telephone: (361) 785-2251.

Limitations and Amendments

The City has agreed to update information and to provide notices of significant 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 the Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of the Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The continuing disclosure agreement may be amended by the City 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, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Certificates in the primary offering of the Certificates in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorizes such an amendment) of the outstanding Certificates consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates. The City may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling the Certificates in the primary offering of the Certificates. If the City so amends the provisions of either of the agreements described above, it shall include with any financial information or operating data next provided in accordance with such agreement an explanation, in narrative form, of the reason for the amendment and of the impact of any change in the type of financial information or operating data so provided.

Compliance with Prior Undertakings

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

UNDERWRITER

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the yields shown on page ii of this Official Statement less an underwriting discount of $15,996.70. The Underwriter's obligation is subject to certain conditions precedent. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

FINANCIAL ADVISOR

RBC Capital Markets, LLC is employed as the Financial Advisor to the City in connection with the issuance of the Certificates. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Certificates.

The Financial Advisor to the City has provided the following sentence for inclusion in this Official Statement. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

FORWARD LOOKING STATEMENTS

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

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in 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 August 29, 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, and the reopening of business in Texas. However, on July 29, 2021, the Governor issued Executive Order GA-38, which supersedes all pre-existing executive orders related to COVID-19 and rescinds them in their entirety, except for Executive Order GA-13 (relating to detention in county and municipal jails) and Executive Order GA-37 (related to migrant transport). Executive Order GA-38 combines several previous executive orders into one order and continues the prohibition against governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance. It also prohibits governmental entities from: (i) compelling any individual to receive a COVID-19 vaccine administered under emergency use authorization, and (ii) enforcing any requirements to show proof of vaccination before receiving a service or entering any place (other than nursing homes, hospitals, and similar facilities) if the public or private entity that has adopted such requirement receives public funds through any means. Executive Order GA-39, issued on August 25, 2021, further provides that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID vaccinations. Various lawsuits have been filed throughout the State related to the foregoing, and litigation is expected to continue. Executive orders remain remains in effect until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

These potential negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City. The Certificates 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 Certificates as well as the City's operations and maintenance expenses. Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

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

POTENTIAL IMPACT OF NATURAL DISASTER

The City is located along the Texas Gulf Coast and could be impacted by high winds, heavy rains, and flooding caused by hurricanes, tornados, tropical storms, or other adverse weather events. In the event that a natural disaster should damage or destroy improvements and personal property in the City, the assessed value of such taxable properties could be substantially reduced, resulting in a decrease in the assessed taxable value of the City and an increase in the City's tax rates. See "AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies" and "AD VALOREM PROPERTY TAXATION – Valuation of Taxable Property." There can be no assurance that a casualty will be covered by insurance (certain casualties, including flood, are usually excepted unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild, repair, or replace any taxable properties in the City that were damaged. Even if insurance proceeds are available and damaged properties are rebuilt, there could be a lengthy period in which assessed values in the City would be adversely affected. See "AD VALOREM PROPERTY TAXATION – Temporary Exemption for Qualified Property Damaged by a Disaster." There can be no assurance the City will not sustain damage from meteorological events.

2021 WINTER WEATHER EVENT

General

From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm (the "2021 Event"). As a result of the 2021 Event, areas throughout Texas experienced widespread, record breaking cold. Due to effects of the 2021 Event and a reduction in available gas supply, approximately 185 generating units in the Electric Reliability Council of Texas ("ERCOT") grid tripped offline, and the grid lost roughly 46,000 MW of generation. In order to limit demand and protect the integrity of the grid, ERCOT implemented widespread and prolonged blackouts. As a result, approximately 4 million Texas residents were without power for significant stretches of the week. Extended subfreezing temperatures caused water pipes to freeze and burst, and combined with the lack of power, eventually led to multiple water system failures across the State that impacted water availability generally and, in some instances, required the issuance of water boil notices. Initial reports indicated that roughly 14 million Texans were under boil water notices as of February 19, 2021. On February 19, 2021, the President of the United States issued a Major Disaster Declaration for 77 counties in Texas, including Calhoun County.

Impact to the System

The City's combined utilities system was impacted by the 2021 Event, but financial impact was manageable. The City's combined utilities system has maintained its operations of providing services to its customers. The 2021 Event did not materially impact the combined utilities system's long-term financial projections.

AUTHENTICITY OF FINANCIAL INFORMATION

The financial data and other information contained herein have been obtained from the City's 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, ordinances and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents, ordinances and resolutions. 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.

USE OF INFORMATION IN OFFICIAL STATEMENT

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

MISCELLANEOUS

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

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

/s/ Elmer DeForest
Mayor
City of Seadrift, Texas

ATTEST:

/s/ Gabriela Torres
City Secretary
City of Seadrift, Texas

[This page is intentionally left blank.]

APPENDIX A

FINANCIAL INFORMATION REGARDING
THE CITY OF SEADRIFT, TEXAS

[This page is intentionally left blank.]

FINANCIAL INFORMATION REGARDING
THE CITY OF SEADRIFT, TEXAS

Table 1-Valuations, Exemptions and Tax Supported Debt

2021/22 Market Valuation Established by Calhoun County Appraisal District (Net of Totally Exempt Property)	$	106,374,786
Less: Exemptions/Reductions at 100% Market Value		
Disabled Person/Veterans Exemption	$	1,417,462
10% Lost to Cap Adjustment		2,387,775
Homestead		6,869,621
Over 65/Disabled		762,500
Frozen Values		3,831,338
Productivity Loss/Other		25,042
Total	$	15,293,738
2021/22 Net Taxable Assessed Valuation	$	91,081,048
City Funded Debt Payable from Ad Valorem Taxes (as of March 1, 2022):		
Outstanding Debt	$	2,455,000
The Certificates		1,000,000
Total General Obligation Debt Payable From Ad Valorem Taxes	$	3,455,000
Less: Self-Supporting General Obligation Debt		
Outstanding Debt	$	2,455,000 [1]
The Certificates		1,000,000
Total Self-Supporting General Obligation Debt	$	3,455,000
Net General Obligation Debt Payable From Ad Valorem Taxes	$	-
Interest and Sinking Fund Balance on of September 30, 2020	$	28,045
Ratio Total General Obligation Debt to 2021/22 Taxable Assessed Valuation		3.79%
Estimated Population		1,493
Per Capita Total General Obligation Funded Debt	$	2,314
Per Capita Net Taxable Assessed Valuation	$	61,005

---

[1] Includes outstanding Series 2010 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation.

Table 2 - Taxable Assessed Valuation by Category[1]

	Taxable Appraised Value for Fiscal Year Ended September 30:					
	2022		2021		2020	
Category	**Value**	**% of Total**	**Value**	**% of Total**	**Value**	**% of Total**
Real, Residential, Single Family	$ 77,397,030	72.76%	$ 68,518,040	71.94%	$ 58,294,739	70.01%
Real Residential, Multi-Family	1,223,490	1.15%	1,098,240	1.15%	993,730	1.19%
Real, Vacant Lots/Tracts	10,407,426	9.78%	9,108,733	9.56%	9,409,958	11.30%
Real, Acreage (Land Only)	-	0.00%	-	0.00%	-	0.00%
Real, Farm and Ranch Improvements	-	0.00%	-	0.00%	-	0.00%
Real, Commercial and Industrial	12,236,030	11.50%	11,635,410	12.22%	9,908,810	11.90%
Oil and Gas	-	0.00%	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	1,966,680	1.85%	1,806,040	1.90%	1,866,980	2.24%
Tangible Personal, Commercial and Industrial	2,335,950	2.20%	2,305,400	2.42%	2,243,940	2.69%
Mobile Homes	666,690	0.63%	644,280	0.68%	406,050	0.49%
Residential Inventory	-	0.00%	-	0.00%	15,500	0.02%
Exempt Property	-	0.00%	-	0.00%	-	0.00%
Special Inventory	141,490	0.13%	125,510	0.13%	125,930	0.15%
Total Appraised Value Before Exemptions	$ 106,374,786	100.00%	$ 95,241,653	100.00%	$ 83,265,637	100.00%
Less: Total Exemtions/ Reductions	(13,270,325)		(13,270,325)		(9,753,246)	
Taxable Assessed Value	$ 93,104,461		$ 81,971,328		$ 73,512,391	

	Taxable Appraised Value for Year Ended September 30:			
	2019		2018	
Category	**Value**	**% of Total**	**Value**	**% of Total**
Real, Residential, Single Family	$ 55,149,248	69.47%	$ 54,992,550	69.16%
Real Residential, Multi-Family	920,570	1.16%	1,071,880	1.35%
Real, Vacant Lots/Tracts	9,958,936	12.55%	9,806,026	12.33%
Real, Acreage (Land Only)	-	0.00%	-	0.00%
Real, Farm and Ranch Improvements	-	0.00%	64,850	0.08%
Real, Commercial and Industrial	9,027,200	11.37%	9,348,654	11.76%
Oil and Gas	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	1,824,020	2.30%	1,774,210	2.23%
Tangible Personal, Commercial and Industrial	2,140,120	2.70%	2,035,760	2.56%
Mobile Homes	219,110	0.28%	282,410	0.36%
Residential Inventory	18,600	0.02%	32,780	0.04%
Exempt Property	-	0.00%	-	0.00%
Special Inventory	123,010	0.15%	108,390	0.14%
Total Appraised Value Before Exemptions	$ 79,380,814	100.00%	$ 79,517,510	100.00%
Less: Total Exemtions/ Reductions	(9,440,475)		(9,858,310)	
Taxable Assessed Value	$ 69,940,339		$ 69,659,200	

[1] Obtained from property tax reports provided by the Calhoun County Appraisal District and the State of Texas Comptroller of Public Accounts.

Table 3 - Valuation and Tax Supported Debt History

Fiscal Year Ended 9/30	Taxable Assessed Valuation	Percent Increase Over Prior Year	Tax Suported Debt at End of Year	Ratio of Direct Debt to Assessed Valuation
2017	$ 67,399,240	0.78%	340,000	0.50%
2018	69,659,200	3.35%	310,000	0.45%
2019	69,940,339	0.40%	275,000	0.39%
2020	73,512,391	5.11%	240,000	0.33%
2021	81,971,328	11.51%	2,455,000	2.99%
2022	91,081,048	11.11%	3,345,000 (1)	3.67%

Source: City Records.

(1) Includes the Certificates.

Table 4 - Tax Rate, Levy and Collection History

Fiscal Year Ending 9/30	General Fund	Interest and Sinking Fund	Total Tax Rate	Total Tax Levy	% Total Collections
2016	$ 0.5000	$ -	$ 0.5000	$ 334,372	101.66%
2017	0.5000	-	0.5000	336,996	106.24%
2018	0.5350	-	0.5350	372,677	103.02%
2019	0.5400	-	0.5400	377,678	103.06%
2020	0.5600	-	0.5600	411,669	101.26%
2021	0.5600	-	0.5600	459,039	(under collection)

Source: City Records.

Table 5 - Overlapping Debt Statement

Taxing Body	Gross Debt	As of	Percent Overlapping	Amount Overlapping
Calhoun Co ISD	$ 15,210,000	03/01/2022	2.01%	$ 305,721
Calhoun County	2,185,000	03/01/2022	2.01%	43,919
Total Overlapping Debt	**$ 17,395,000**			**$ 349,640**
City of Seadrift(1)	**$ 3,455,000**	**03/01/2022**	**100.00%**	**$ 3,455,000**
Total Direct and Overlapping Debt				**$ 3,804,640**

Ratio of Direct and Overlapping Debt to 2021/22 Net Taxable Assessed Valuation	4.18%
Ratio of Direct and Overlapping Debt to 2021/22 Appraised Market Value	3.58%
Per Capita Direct and Overlapping Debt	$2,548

(1) Includes the Certificates.

Table 6 - Ten Largest Taxpayers

Name of Taxpayer	2021/22 Assessed Valuation	Percent of Total
AEP Texas Central	$ 1,099,190	1.21%
Bay Heritage Enterprises Inc.	1,031,110	1.13%
Asha 444 Hotel Group	968,580	1.06%
Daniel, Mike & Colt PTP LLC	754,010	0.83%
First National Bank	715,120	0.79%
Lee Rudolph Living Trust	703,160	0.77%
Huerta, Jose de Jesus	681,832	0.75%
Dade, Georgie	674,672	0.74%
Charter Communications	600,950	0.66%
Crosier M'Liss Landry	589,740	0.65%
	$ 7,818,364	8.58%

Source: Calhoun County Appraisal District.

Table 7 - Outstanding General Obligation Debt Service Requirements

Fiscal Year Ended 9/30	Current Outstanding Debt Service	The Certificates Principal	The Certificates Interest	The Certificates Total	Less: Self-Supporting Debt Service	Net Outstanding Debt Service
2022	$ 175,534				$ 175,534	$ -
2023	175,885	$ 20,000	$ 55,370	$ 75,370	251,255	-
2024	177,221	40,000	38,750	78,750	255,971	-
2025	178,357	40,000	37,150	77,150	255,507	-
2026	179,310	40,000	35,550	75,550	254,860	-
2027	130,063	45,000	33,950	78,950	209,013	-
2028	132,463	45,000	32,150	77,150	209,613	-
2029	134,663	45,000	30,800	75,800	210,463	-
2030	131,663	50,000	29,450	79,450	211,113	-
2031	133,663	50,000	27,950	77,950	211,613	-
2032	130,463	50,000	26,450	76,450	206,913	-
2033	132,263	55,000	24,450	79,450	211,713	-
2034	133,863	55,000	22,250	77,250	211,113	-
2035	130,263	60,000	20,050	80,050	210,313	-
2036	131,663	60,000	17,650	77,650	209,313	-
2037	132,863	65,000	15,250	80,250	213,113	-
2038	130,113	65,000	12,650	77,650	207,763	-
2039	132,363	70,000	10,050	80,050	212,413	-
2040	134,475	70,000	7,250	77,250	211,725	-
2041	131,450	75,000	3,750	78,750	210,200	-
2042	133,150	-	-	-	133,150	-
2043	129,700	-	-	-	129,700	-
2044	131,250	-	-	-	131,250	-
2045	132,650	-	-	-	132,650	-
2046	133,900	-	-	-	133,900	-
TOTAL	**$ 3,529,243**	**$ 1,000,000**	**$ 480,920**	**$ 1,480,920**	**$ 5,010,163**	**$ -**

Authorized but Unissued General Obligation Bonds: The City has no voter-authorized but unissued general obligation bonds.

Table 8 - Tax Adequacy for General Obligation Debt

2021/22 Taxable Assessed Valuation (less exemptions)	$ 91,081,048
Maximum Net Debt Service for the Fiscal Year Ending September 30, 2022	$ -
Indicated Interest and Sinking Fund Tax Rate	$ -
Indicated Interest and Sinking Fund Tax Levy	$ -
Estimated 98% Tax Collections	$ -

Table 9 - General Fund Revenues and Expenditures

	Fiscal Years Ended September 30: 2020	2019	2018	2017	2016
Revenues:					
Taxes	$ 717,549	$ 639,407	$ 608,504	$ 594,636	$ 549,975
Licenses and Permits	92,195	39,264	40,618	43,850	47,953
Fines and Forfeitures	20,280	23,660	25,860	28,185	34,945
Animal Control Fees	9,331	9,138	9,001	9,198	8,677
Interest Income	2,253	7,259	890	1,021	933
Lease Income	3,300	3,175	3,000	3,000	3,000
Intergovernmental	471,902	81,367	145,538	74,921	18,959
Miscellaneous	7,302	13,678	30,043	40,904	85,007
Total Revenues	**$ 1,324,112**	**$ 816,948**	**$ 863,454**	**$ 795,715**	**$ 749,449**
Expenditures:					
Current:					
General Government	$ 535,403	$ 479,083	$ 469,756	$ 475,285	$ 365,637
Public Safety	224,409	231,855	227,920	200,915	203,159
Streets	150,475	83,029	62,598	24,836	60,578
Culture and Recreation	6,549	12,951	15,451	20,765	29,276
Grant Expenditures	168,279	118,650	30	-	-
Debt Service	33,441	33,131	33,269	-	-
Capital Outlay	350,189	37,159	5,456	391,444	77,140
Total Expenditures	**$ 1,468,745**	**$ 995,858**	**$ 814,480**	**$ 1,113,245**	**$ 735,790**
Excess/(Deficiency) of Revenues Over Expenditures	$ (144,633)	$ (178,910)	$ 48,974	$ (317,530)	$ 13,659
Other Financing Sources/Uses:					
Operating Transfers In	154,918	496,823	10,595	255,037	-
Operating Transfers Out	(280,470)	(177,729)	(11,715)	(6,486)	(66)
Total Other Financing Sources/Uses	$ (125,552)	$ 319,094	$ (1,120)	$ 248,551	$ (66)
Beginning Fund Balance	343,530	203,346	170,492	239,471	225,878
Residual Equity Transfers In/(Out)	-	-	(15,000) [2]	-	-
Ending Fund Balance - Sept. 30	**$ 73,345** [1]	**$ 343,530**	**$ 203,346**	**$ 170,492**	**$ 239,471**

Source: City's Audited Financial Statements for the Fiscal Years Ended September 30, 2016-2020.

Note: The City's unaudited General Fund Balance for the Fiscal Year ending on September 30, 2021 is $95,158.

[1] The decrease in the City's General Fund balance from Fiscal Year ending 2019 to Fiscal Year ending 2020 is primarily attributable to remediation of damage casued by Winter Storm Uri and a lag on certain grants.

[2] Evidences a prior period adjustment attributable to the overstament of current assets in 2017.

Table 10 - Current Investments (as of September 30, 2020)

Investment Description	Total Invested	Percent
Cash and Cash Equivalents	$ 1,171,425	100.00%
Total	$ 1,171,425	100.00%

Source: City's Audited Financial Statements for the Fiscal Year Ended September 30, 2020.

Table 11 - Water and Sewer Fund Revenues and Expenditure History

	Fiscal Years Ended September 30,				
	2020	**2019**	**2018**	**2017**	**2016**
Operating Revenues:					
Charges for Services	$ 718,294	$ 642,852	$ 649,967	$ 641,164	$ 631,501
Miscellaneous	-	-	-	-	-
Total Revenues	**$ 718,294**	**$ 642,852**	**$ 649,967**	**$ 641,164**	**$ 631,501**
Operating Expenses:					
Personnel	$ 325,162	$ 268,686	$ 288,415	$ 305,025	$ 289,784
Maintenance	57,703	98,329	48,338	47,005	37,538
Supplies	61,221	53,015	51,545	45,544	53,190
Service	178,775	168,979	163,374	170,195	156,404
Sundry Charges	64,484	49,428	44,067	39,068	35,693
Depreciation	225,068	220,722	219,011	210,268	211,469
Total Expenditures	**$ 912,413**	**$ 859,159**	**$ 814,750**	**$ 817,105**	**$ 784,078**
Excess/(Deficiency) of Revenues Over Expenditures	$ (194,119)	$ (216,307)	$ (164,783)	$ (175,941)	$ (152,577)
Non-Operating Revenues	$ 201,523	$ 63,242	$ 141,666	$ 235,208	$ 54,526
Non-Operating Expenses	(56,279)	(83,868)	(34,321)	(33,504)	(39,564)
Total Other Sources (Uses)	$ 145,244	$ (20,626)	$ 107,345	$ 201,704	$ 14,962
Operating Transfer In	$ 251,152	$ 113,470	$ 12,411	$ 2,600	$ 66
Operating Transfer Out	(138,133)	(66,083)	(45,509)	(429)	-
Beginning Fund Balance	4,477,700	4,402,764	4,503,044	4,475,110	4,612,659
Prior Period Adjustment	-	264,482	(9,744)	-	-
Ending Fund Balance	**$ 4,541,844**	**$ 4,477,700**	**$ 4,402,764**	**$ 4,503,044**	**$ 4,475,110**

Source: City's Comprehensive Annual Financial Report for Fiscal Years Ended September 30, 2016 - September 30, 2020.

Table 12 - Harbor System Revenues and Expenditure History

	Fiscal Years Ended September 30,				
	2020	**2019**	**2018**	**2017**	**2016**
Operating Revenues:					
Oyster Sack Fees	$ 100,156	$ 10,670	$ 26,314	$ 8,979	$ 4,776
Dumpster Income	1,730	1,498	1,609	5,851	1,851
Harbor Rentals	80,775	64,875	57,788	67,249	58,315
Total Revenues	**$ 182,661**	**$ 77,043**	**$ 85,711**	**$ 82,079**	**$ 64,942**
Operating Expenses:					
Personnel	$ 44,137	$ 12,918	$ 10,765	$ 14,430	$ 12,996
Maintenance	13,431	-	7,515	6,550	3,571
Supplies	3,136	7,994	6,689	4,480	887
Service	12,838	10,737	10,752	13,570	14,157
Sundry Charges	15,330	3,131	8,302	8,537	13,673
Depreciation	74,719	74,709	75,372	73,442	75,248
Total Expenditures	**$ 163,591**	**$ 109,489**	**$ 119,395**	**$ 121,009**	**$ 120,532**
Excess/(Deficiency) of Revenues Over Expenditures	$ 19,070	$ (32,446)	$ (33,684)	$ (38,930)	$ (55,590)
Non-Operating Revenues	$ 49,759	$ 16,765	$ 600	$ 1,983	$ 2,691
Non-Operating Expenses	(52,361)	(56,525)	(12,817)	(13,735)	(18,046)
Total Other Sources (Uses)	$ (2,602)	$ (39,760)	$ (12,217)	$ (11,752)	$ (15,355)
Operating Transfer In	$ 29,318	$ 41,036	$ 584	$ 5,875	$ -
Operating Transfer Out	(16,465)	(91,056)	(4,085)	(1,560)	-
Beginning Fund Balance	1,275,014	1,397,240	1,446,642	1,493,009	1,563,954
Prior Period Adjustment	-	-	-	-	-
Ending Fund Balance	**$ 1,304,335**	**$ 1,275,014**	**$ 1,397,240**	**$ 1,446,642**	**$ 1,493,009**

Source: City's Comprehensive Annual Financial Report for Fiscal Years Ended September 30, 2016 - September 30, 2020.

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF SEADRIFT AND CALHOUN COUNTY, TEXAS

[This page is intentionally left blank.]

GENERAL INFORMATION REGARDING THE CITY OF SEADRIFT AND CALHOUN COUNTY, TEXAS

General Description

The City of Seadrift is located at the intersection of Highway 185 and 238, south of the City of Port Lavaca and is considered part of the Victoria, Texas Metropolitan Statistical Area. Industries in the area include several large chemical plants, farms, ranches and commercial fishing, shrimping and oystering operations. The City is governed by a Mayor, elected at-large, and five Alderman elected by place. All are elected for two-year, staggered terms.

Calhoun County

Calhoun County organized in 1846, is a South Texas Gulf Coast County and has an area of approximately 540 square miles and is located near the center point of the 375-mile Texas Coast. The natural seaport on Matagorda Bay serves as an attraction for commerce, industry and recreation. Water is a major feature of the region, covering more than half the surface area of Calhoun County. The Gulf of Mexico is flanked by the broad, isolated beaches of Matagorda Island. Behind the barrier islands are 10 bays and 500 miles of shoreline. Calhoun County's economy is primarily based on manufacturing, agribusiness, marine construction, petroleum, tourism, fishing and fish processing. The principal sources of agricultural income are cattle, rice, cotton, grain sorghum, and corn.

The City of Port Lavaca, the County seat, is the largest city and principal commercial center for the County. The County is located at the end of U.S. Highway 87 and is located 25 miles east of Victoria, 90 miles northeast of Corpus Christi, 125 miles southwest of Houston, 150 miles southeast of San Antonio, and 145 miles southeast of Austin.

Labor Force Statistics

State of Texas

	2021[a]	2020	2019	2018	2017
Labor Force	13,785,955	13,983,319	14,037,537	13,848,080	13,538,385
Employed	13,586,346	12,915,337	13,541,936	13,314,203	12,960,595
Unemployed	612,738	1,067,982	495,601	533,877	577,790
Unemployed Rate	4.3%	7.6%	3.5%	3.9%	4.3%

Calhoun County

	2021[a]	2020	2019	2018	2017
Labor Force	12,030	11,995	12,126	11,207	10,496
Employed	11,535	11,296	11,737	10,745	9,886
Unemployed	495	699	389	462	610
Unemployed Rate	4.1%	5.8%	3.2%	4.1%	5.8%

[a] As of December 2021.

[This page is intentionally left blank.]

APPENDIX C

EXCERPTS FROM THE
CITY OF SEADRIFT
ANNUAL FINANCIAL REPORT

For the Fiscal Year Ending September 30, 2020

The information contained in this Appendix consists of excerpts from the City of Seadrift, Texas Report for the Fiscal Year Ending 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.

[This page is intentionally left blank.]

CITY OF SEADRIFT, TEXAS

FINANCIAL STATEMENTS

For the Year Ended September 30, 2020

CITY OF SEADRIFT, TEXAS
FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

TABLE OF CONTENTS

CITY OF SEADRIFT, TEXAS
FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

TABLE OF CONTENTS

CITY OF SEADRIFT, TEXAS
FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

TABLE OF CONTENTS

INTRODUCTORY SECTION

CITY OF SEADRIFT, TEXAS
LIST OF PRINCIPAL OFFICIALS
September 30, 2020

Mayor	Elmer B. DeForest
Mayor Pro-tem	Ranier D. Brigham
Alderpersons	Mary June Cantrell Peggy S. Gaines Geoffrey B. Hunt Kenneth D. Reese
Tax Assessor/Collector	Gloria Ochoa
Public Works Director/Animal Control	Robert Bryant
Solid Waste Director	Terry Maddux
Building Inspector	Boyd Staloch
Fire Marshall	John Dufner
Harbor Master	Leonard Bermea
City Secretary	Gabriela Torres
Senior Clerk	Mary Alice Romero
Court Clerk	Marilyn Dufner
Chief of Police	Leonard Bermea
Municipal Judge	Wesley Hunt
City Attorneys	Marek, Griffin & Knaupp

FINANCIAL SECTION

Goldman, Hunt & Notz, L.L.P.

Certified Public Accountants

DONALD G. GOLDMAN, CPA
D. DALE HUNT, CPA
JAMIE K. NOTZ, CPA, CVA*

*CERTIFIED VALUATION ANALYST

MEMBERS OF:
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

TEXAS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

KEITH H. COX, CPA, CISA+
STEPHANIE S. KOCH, CPA
TREY A. PARMA, CPA

+CERTIFIED INFORMATION SYSTEMS AUDITOR

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

TELEPHONE (361) 573-2471
FACSIMILE (361) 575-0444

5606 NORTH NAVARRO STREET, SUITE 309
VICTORIA, TEXAS 77904-1770

EMAIL: ghn@tisd.net

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and Texas Municipal Retirement System Schedules and notes on pages 5-11 and 57-65 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 supplementary information for Rural Development, combining and individual nonmajor fund financial statements, and individual grant information sections, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The supplementary information for Rural Development, combining and individual nonmajor fund financial statements, 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 supplementary information for Rural Development, combining and individual nonmajor fund financial statements, 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 individual grant information has 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 it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021, on our consideration of the City of Seadrift, Texas'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.

Goldman, Hunt & Notz, LLP

Goldman, Hunt & Notz, L.L.P.

June 29, 2021

CITY OF SEADRIFT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

This discussion and analysis is intended to be an easily readable analysis of City of Seadrift, Texas's (City) financial activities based on currently known facts, decisions or conditions. This analysis focuses on current year activities and should be read in conjunction with the financial statements that follow.

Report Layout

In addition to the Management's Discussion and Analysis (MD&A), the report consists of government-wide statements, fund financial statements, notes to the financial statements and supplementary information. The first several statements are highly condensed and present a government-wide view of the City's finances. Within this view, all City operations are categorized and reported as either governmental or business-type activities. Governmental activities include basic services such as general government, public safety, municipal court, streets, animal control and parks. The City's business-type activity provides water, sewer and sanitation services to the citizens. These government-wide statements are designed to be more corporate-like in that all activities are consolidated into a total for the City.

Basic Financial Statements

- The Statement of Net Position focuses on resources available for future operations. In simple terms, this statement presents a snapshot view of the assets the community owns, the liabilities it owes and the net difference. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts.
- The Statement of Activities focuses gross and net costs of City programs and the extent to which such programs rely upon general tax and other revenues. This statement summarizes and simplifies the user's analysis to determine the extent to which programs are self-supporting and/or subsidized by general revenues.
- Fund financial statements focus separately on major governmental funds and proprietary funds. Governmental fund statements follow the more traditional presentation of financial statements. The City's major governmental funds are presented in their own columns. Statements for the City's proprietary fund follow the governmental funds and include net position, revenue, expenses and changes in net position, and cash flow.
- The notes to the financial statements provide additional disclosure required by governmental accounting standards and provide information to assist the reader in understanding the City's financial condition.

The discussion and analysis of City of Seadrift, Texas's financial performance provides an overall review of the City's financial activities for the year ended September 30, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the basic financial statements to enhance their understanding of the City's financial performance.

CITY OF SEADRIFT, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2020

Financial Highlights

- The assets of City of Seadrift, Texas exceeded its liabilities at the close of the fiscal year ended September 30, 2020 by $6,977,842 (net position). Of this amount there is a $298,685 deficit of unrestricted net position.
- At September 30, 2020, the City's governmental funds reported combined ending fund balances of $393,767, of which $208,439 is restricted by outside sources and $185,328 is committed by City Council.
- The total cost of all City activities was $2,567,895 for the fiscal year. Net cost of governmental activities was $556,264.

City as a Whole

Government-Wide Financial Statements

A condensed version of the Statement of Net Position follows:

City of Seadrift, Texas
Components of Net Position
September 30, 2020
With Comparative Totals for September 30, 2019
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount	%
	2020	2019	2020	2019	2020	2019	Change	Change
Cash	$ 164	$ 247	$ 295	$ 247	$ 459	$ 494	$ (35)	-7.1%
Restricted cash	368	550	344	317	712	867	(155)	-17.9%
Other assets	420	121	246	133	666	254	412	162.2%
Capital assets	1,216	964	6,521	6,592	7,737	7,556	181	2.4%
Total assets	2,168	1,882	7,406	7,289	9,574	9,171	403	4.4%
Deferred outflows of resources	11	22	16	32	27	54	(27)	-50.0%
Current and other liabilities	544	272	545	423	1,089	695	394	56.7%
Long term debt outstanding	560	613	940	1,075	1,500	1,688	(188)	-11.1%
Total liabilities	1,104	885	1,485	1,498	2,589	2,383	206	8.6%
Deferred inflows of resources	14	1	21	1	35	2	33	1650.0%
Net position:								
Net investment in capital assets	1,065	786	5,549	5,526	6,614	6,312	302	4.8%
Restricted	394	636	269	217	663	853	(190)	-22.3%
Unrestricted	(398)	(404)	98	79	(300)	(325)	25	-7.7%
Total net position	$ 1,061	$ 1,018	$ 5,916	$ 5,822	$ 6,977	$ 6,840	$ 137	2.0%

Financial Highlights (Continued)

During the year ended September 30, 2020 the net position of the City increased approximately $137,000.

The net position of the governmental activities increased approximately $43,000. This change includes a decrease in cash (unrestricted and restricted) of $265,000, and accounts receivables increase of $285,000, primarily due to a $276,000 increase of receivables from grant agencies. Due from other funds increased $14,000. New asset purchases were $351,000 and depreciation expense of $99,000. Deferred outflows of resources decreased $11,000. Accounts payable balances (trade, grant and state) increased $254,000 primarily due to a $105,000 decrease in accounts payable trade and a $359,000 increase in grants payable. Due to other funds increased $18,000, while other accrued liabilities increased $1,000, net pension liability decreased $29,000, and OPEB liability increased $3,000. The City made principal payments of $28,000 on long-term debt. Deferred inflows of resources increased $13,000.

The net position of the business-type activities increased approximately $94,000. This change includes cash (unrestricted and restricted) increase of $75,000, accounts receivable – trade increased $7,000, accounts receivable – grants increased $82,000, and inventory increased $25,000. New asset purchases were $254,000 and depreciation expense of $326,000. Deferred outflows of resources decreased $16,000. Accounts payable balances (trade, grant and state) increased $114,000. Due to other funds decreased $4,000 and other current liabilities increased $13,000. Net pension liability decreased $43,000 and OPEB liability increased $4,000. The City made principal payments of $96,000 on long-term debt, including capital obligations. Deferred inflows of resources increased $19,000.

Financial Highlights (Continued)

A condensed version of the Statement of Activities follows:

City of Seadrift, Texas
Condensed Statement of Activities
For the Year Ended September 30, 2020
With Comparative Totals for the Year Ended September 30, 2019
(in thousands)

	Governmental Activities		Business-type Activities		Total Government		Amount	%
	2020	2019	2020	2019	2020	2019	Change	Change
Revenues								
Program revenues								
Charges for services	$ 175	$ 137	$ 1,127	$ 924	$ 1,302	$ 1,061	$ 241	22.7%
Grants and contributions	472	81	247	75	719	156	563	360.9%
General revenues								
Taxes	723	640	-	-	723	640	83	13.0%
Interest	4	10	4	4	8	14	(6)	-42.9%
Other income	3	3	1	-	4	3	1	33.3%
Total revenues	1,377	871	1,379	1,003	2,756	1,874	882	47.1%
Expenses								
General government	555	493	-	-	555	493	(62)	-12.6%
Public safety	272	284	-	-	272	284	12	4.2%
Streets	160	92	-	-	160	92	(68)	-73.9%
Culture and recreation	23	37	-	-	23	37	14	37.8%
Hotel/motel	24	36	-	-	24	36	12	33.3%
Water and sewer	-	-	912	859	912	859	(53)	-6.2%
Sanitation	-	-	221	225	221	225	4	1.8%
Harbor maintenance	-	-	164	109	164	109	(55)	-50.5%
Grant expenditures	168	119	69	97	237	216	(21)	-9.7%
Total expenses	1,202	1,061	1,366	1,290	2,568	2,351	(217)	-9.2%
Excess (deficiency) before transfers	175	(190)	13	(287)	188	(477)	665	-139.4%
Non operating expense	(6)	(6)	(45)	(48)	(51)	(54)	3	-5.6%
Transfers	(126)	(75)	126	75	-	-	-	
Change in net position	43	(271)	94	(260)	137	(531)	668	-125.8%
Beginning net position	1,018	1,289	5,822	6,082	6,840	7,371	(531)	-7.2%
Ending net position	$ 1,061	$ 1,018	$ 5,916	$ 5,822	$ 6,977	$ 6,840	$ 137	2.0%

Financial Highlights (Concluded)

Governmental Activities

Revenues
Overall, governmental revenues increased $506,000. Ad valorem taxes increased $32,000, sales taxes increased $51,000, franchise taxes decreased $1,000, fines decreased $3,000, licenses and permits increased $46,000, and Hotel/Motel revenues decreased $5,000. Grant revenues increased $391,000 primarily due to proceeds from the FEMA Public Assistance Grant program. Other sources of income decreased $5,000.

Expenses
Governmental expenditures increased 13% or $141,000 primarily due to a $62,000 increase in general government expenditures, a $68,000 increase in street expenditures, a $49,000 increase in grant expenditures and a $38,000 decrease in other expenses.

Business-type Activities

Revenues
Total business-type activities revenues increased $376,000. Water and wastewater revenues increased $75,000 or 12%. Sanitation revenue increased $22,000 or 11%. Harbor revenues increased $107,000 or 137%, while grant revenues increased $172,000 or 228%. This increase was primarily driven by activity in the FEMA public assistance grant.

Expenses
Expenses increased by approximately $76,000 or 6%, primarily due to an increase of $53,000 in water and sewer expenditures, a $4,000 decrease in sanitation expenses, a $55,000 increase in harbor maintenance expenditures, and a $28,000 decrease in grant expense.

Budgetary Highlights

The City revised its budget for the General Fund during the fiscal year. Actual revenues in the General Fund were greater than the budgeted revenues by approximately $92,000 primarily due to actual grant revenue being greater than budgeted by $106,000. Actual expenditures were higher than the budgeted expenditures by $86,000, primarily due to accrued grant expenditures.

Capital Assets

At September 30, 2020, the City had approximately $7.74 million invested in capital assets, net of depreciation, including police, fire equipment, park and recreation facilities, buildings, roads, water and sewer lines, solid waste and harbor improvements. This amount represents a net increase (additions, deletions, and depreciation) of approximately $181,000 or 2.4% from the prior year.

City of Seadrift, Texas
Capital Assets
September 30, 2020
With Comparative Totals for September 30, 2019
(in thousands)

	Governmental Activities		Business-type Activities		Totals		Amount	%
	2020	2019	2020	2019	2020	2019	Change	Change
Land	$ 42	$ 42	$ 9	$ 9	$ 51	$ 51	$ -	0.0%
Construction in progress	273	59	42	22	315	81	234	288.9%
Buildings	247	247	16	9	263	256	7	2.7%
Bayfront	427	427	-	-	427	427	-	0.0%
Ballpark	290	290	-	-	290	290	-	0.0%
Harbor	81	81	3,126	3,126	3,207	3,207	-	0.0%
Hotel/Motel	93	57	-	-	93	57	36	63.2%
Kid/Skate Park	39	39	-	-	39	39	-	0.0%
Machinery and equipment	845	744	456	361	1,301	1,105	196	17.7%
Real estate fund	105	105	-	-	105	105	-	0.0%
Streets	135	135	-	-	135	135	-	0.0%
Water	-	-	3,863	3,738	3,863	3,738	125	3.3%
Wastewater	-	-	5,352	5,352	5,352	5,352	-	0.0%
Subtotal	2,577	2,226	12,864	12,617	15,441	14,843	598	4.0%
Accumulated depreciation	(1,361)	(1,262)	(6,343)	(6,025)	(7,704)	(7,287)	(417)	5.7%
Capital assets, net	$ 1,216	$ 964	$ 6,521	$ 6,592	$ 7,737	$ 7,556	$ 181	2.4%

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

Debt Outstanding

At year-end, the City had $880,000 in general obligation bonds which consisted of $640,000 in 1998 revenue bonds and $240,000 in certificates of obligation. At year-end, the City also had $242,000 in capital lease obligations, $75,000 in net pension liability and $30,000 in OPEB liability. At year end, the City had a $395,000 Community Disaster Loan with FEMA. The City retired $59,000 of the general obligation bonds, which consisted of $24,000 of the 1998 revenue bonds and $35,000 of the certificates of obligation, and $64,000 of the capital lease obligations during the year. Net pension liability decreased $72,000 and OPEB liability increased $7,000.

Debt Outstanding (Concluded)

City of Seadrift, Texas
Outstanding Debt
September 30, 2020
With Comparative Totals for September 30, 2019
(in thousands)

	Governmental Activities		Business-type Activities		Totals		Amount	%
	2020	2019	2020	2019	2020	2019	Change	Change
General obligation bonds	$ -	$ -	$ 880	$ 939	$ 880	$ 939	$ (59)	-6.3%
Direct borrowings	395	395	-	-	395	395	-	0.0%
Capital lease obligation - backhoe	11	19	16	28	27	47	(20)	-42.6%
Capital lease obligation - fire truck	139	160	-	-	139	160	(21)	-13.1%
Capital lease obligation - garbage truck	-	-	76	99	76	99	(23)	-23.2%
Net pension liability	30	59	45	88	75	147	(72)	-49.0%
OPEB liability	12	9	18	14	30	23	7	30.4%
Total outstanding debt	$ 587	$ 642	$ 1,035	$ 1,168	$ 1,622	$ 1,810	$ (188)	-10.4%

More detailed information is presented in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's property tax rate for 2020-2021 is $0.5600 per $100 of taxable value. The total assessed value is $85,138,968, the total taxable value is $72,917,717 (freeze adjusted) and the tax levy adjusted for frozen values is $459,039.

The budgets for 2020-2021 are as follows:

	General Fund	Water & Sewer Fund	Solid Waste Fund	Harbor Fund	Hotel/Motel Fund
Revenues	$ 783,490	$ 943,650	$ 237,525	$ 99,827	$ 102,600
Expenditures	$ 783,490	$ 943,650	$ 237,525	$ 99,827	$ 102,600

The City will continue to look very closely at the services it provides and what changes can be made to best serve the community and also stay within the City's financial resources.

Financial Contact

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Secretary at P. O. Box 159, Seadrift, Texas 77983.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	$ 164,442	$ 295,083	$ 459,525
Restricted cash:			
Cash and cash equivalents	367,956	344,144	712,100
Receivables:			
Sales tax	20,980	-	20,980
Service accounts	-	94,231	94,231
Franchise tax	6,557	-	6,557
Ad valorem taxes	41,961	-	41,961
Hotel/motel taxes	13,495	-	13,495
Other	1,071	-	1,071
Grants	303,571	108,769	412,340
Due from other funds	32,899	-	32,899
Inventory	-	41,721	41,721
Capital assets, net of accumulated depreciation	1,215,690	6,520,532	7,736,222
Total assets	2,168,622	7,404,480	9,573,102
DEFERRED OUTFLOWS OF RESOURCES			
Difference in assumptions - OPEB	1,884	2,827	4,711
Pension contributions after measurement date	9,108	13,661	22,769
Total deferred outflows of resources	10,992	16,488	27,480

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

CITY OF SEADRIFT, TEXAS
STATEMENT OF NET POSITION (CONTINUED)
September 30, 2020

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Accounts payable - trade	12,611	60,818	73,429
Accounts payable - grant	471,341	237,966	709,307
Due to other funds	20,886	12,013	32,899
Payroll taxes and retirement payable	-	1,409	1,409
Other accrued liabilities	12,366	19,831	32,197
Customer deposits payable	-	117,255	117,255
Capital debt - current	27,136	35,678	62,814
Bonds payable - due within one year	-	60,000	60,000
Noncurrent liabilities:			
Net pension obligation	29,954	44,931	74,885
Net OPEB obligation	11,899	17,849	29,748
FEMA Community Disaster Loan	395,016	-	395,016
Capital debt - noncurrent	123,224	56,034	179,258
Bonds payable	-	820,000	820,000
Total liabilities	1,104,433	1,483,784	2,588,217
DEFERRED INFLOWS OF RESOURCES			
Difference in expected and actual pension plan experience	2,487	3,729	6,216
Difference in projected and actual earnings on pension plan investments	-	13,465	13,465
Difference in assumptions - net pension	1,867	2,800	4,667
Difference in investment returns - pension	8,977	-	8,977
Difference in expected and actual OPEB experience	479	719	1,198
Total deferred inflows of resources	13,810	20,713	34,523
NET POSITION			
Invested in capital assets, net of related debt	1,065,330	5,548,820	6,614,150
Restricted for:			
Revenue bond debt service account	-	226,889	226,889
Tourism	102,086	-	102,086
Police	3,278	-	3,278
Real estate	185,328	-	185,328
Pier improvement	18,400	-	18,400
MC technology	4,201	-	4,201
MC security	4,572	-	4,572
PEG capital	2,557	-	2,557
Hurricane Harvey repairs	73,345	-	73,345
Inventory	-	41,721	41,721
Unrestricted	(397,726)	99,041	(298,685)
Total net position	$ 1,061,371	$ 5,916,471	$ 6,977,842

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

		Program Revenues		Net (Expense) Revenue and Changes in Net Position — Primary Government		
Functions/Programs	**Expenses**	**Charges for Services**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**
Primary Government:						
Governmental activities:						
General government	$ 555,243	$ 109,570	$ 471,902	$ 26,229	$ -	$ 26,229
Public safety	271,825	20,280	-	(251,545)	-	(251,545)
Streets	159,890	-	-	(159,890)	-	(159,890)
Culture and recreation	23,440	-	-	(23,440)	-	(23,440)
Hotel/motel	24,334	45,459	-	21,125	-	21,125
Grant expenditures	168,279	-	-	(168,279)	-	(168,279)
Total governmental activities	1,203,011	175,309	471,902	(555,800)	-	(555,800)
Business-type activities:						
Water and sewer	912,413	718,294	247,317	-	53,198	53,198
Sanitation	220,658	226,171	-	-	5,513	5,513
Harbor maintenance	163,591	182,661	-	-	19,070	19,070
Grant expenditures	68,222	-	-	-	(68,222)	(68,222)
Total business-type activities	1,364,884	1,127,126	247,317	-	9,559	9,559
Total primary government	$ 2,567,895	$ 1,302,435	$ 719,219	(555,800)	9,559	(546,241)
General revenues:						
Taxes:						
Property taxes, levied for general purposes				421,100	-	421,100
Franchise taxes				40,786	-	40,786
Sales taxes				260,102	-	260,102
Interest income				4,477	4,158	8,635
Lease income				3,300	-	3,300
Other income				-	426	426
Other expense				-	(277)	(277)
Interest expense				(5,147)	(45,866)	(51,013)
Transfers				(125,552)	125,552	-
Total general revenues and transfers				599,066	83,993	683,059
Change in net position				43,266	93,552	136,818
Net position - beginning				1,018,105	5,822,919	6,841,024
Net position - ending				$ 1,061,371	$ 5,916,471	$ 6,977,842

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

FUND FINANCIAL STATEMENTS

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

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ -	$ 164,442	$ 164,442
Cash - restricted	246,357	121,599	367,956
Receivables:			
Sales tax	20,980	-	20,980
Franchise tax	6,557	-	6,557
Ad valorem taxes	41,961	-	41,961
Hotel/motel taxes	-	13,495	13,495
Due from other governments	1,071	-	1,071
Grants	303,571	-	303,571
Due from other fund	12,013	20,886	32,899
Total assets	$ 632,510	$ 320,422	$ 952,932
LIABILITIES			
Accounts payable - trade	$ 12,611	$ -	$ 12,611
Accounts payable - grants	471,341	-	471,341
Other accrued liabilities	12,366	-	12,366
Due to other fund	20,886	-	20,886
Total liabilities	517,204	-	517,204
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	41,961	-	41,961
Total deferred inflows of resources	41,961	-	41,961
FUND BALANCES			
Restricted	73,345	135,094	208,439
Committed	-	185,328	185,328
Total fund balances	73,345	320,422	393,767
Total liabilities, deferred inflows of of resources and fund balances	$ 632,510	$ 320,422	$ 952,932

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

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

Amounts reported for governmental activities in the statement of net position (pages 12-13) are different because:

Total fund balances - governmental funds (page 15)	$ 393,767
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,215,690
Deferred outflows of resources are not reported in the governmental funds	
Deferred contributions	9,108
Difference in assumptions - OPEB	1,884
Delinquent taxes receivable are not considered available to pay for current period expenditures and, therefore, are deferred in the funds.	41,961
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. These liabilities are comprised of the following:	
Net pension obligation	(29,954)
Net OPEB obligation	(11,899)
Capital leases	(150,360)
FEMA - Community Disaster Loan	(395,016)
Deferred inflows of resources are not reported in the governmental funds	
Difference in experience - pension	(2,487)
Difference in assumptions - pension	(1,867)
Difference in investment returns - pension	(8,977)
Difference in experience - OPEB	(479)
Net position of governmental activities	$ 1,061,371

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

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

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes:			
Ad valorem taxes, penalty and interest	$ 416,843	$ -	$ 416,843
City sales tax	260,102	-	260,102
Franchise taxes	40,604	182	40,786
Hotel/motel taxes	-	45,459	45,459
Licenses and permits	92,195	-	92,195
Fines	20,280	-	20,280
Animal control fees	9,331	-	9,331
Interest income	2,253	2,224	4,477
Lease income	3,300	-	3,300
Intergovernmental - grant revenue	471,902	-	471,902
Miscellaneous	7,302	742	8,044
Total revenues	1,324,112	48,607	1,372,719
EXPENDITURES			
Current:			
General government	535,403	20,799	556,202
Public safety	224,409	-	224,409
Streets	150,475	-	150,475
Culture and recreation	6,549	612	7,161
Grant expenditures	168,279	-	168,279
Principal payments - capital leases	28,294	-	28,294
Interest expense - capital leases	5,147	-	5,147
Capital outlay	350,189	-	350,189
Total expenditures	1,468,745	21,411	1,490,156
Excess (deficiency) of revenues over expenditures	(144,633)	27,196	(117,437)
OTHER FINANCING SOURCES (USES)			
Transfers in	154,918	-	154,918
Transfers out	(280,470)	-	(280,470)
Total other financing sources (uses)	(125,552)	-	(125,552)
Net change in fund balances	(270,185)	27,196	(242,989)
Fund balances - beginning	343,530	293,226	636,756
Fund balances - ending	$ 73,345	$ 320,422	$ 393,767

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

CITY OF SEADRIFT, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2020

Amounts reported for governmental activities in the statement of activities (page 14) are different because:

Net change in fund balances - total governmental funds (page 17)	$ (242,989)
Governmental funds report capital outlays as expenditures. However, in the government-wide statement of activities and changes in net assets, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	350,189
Depreciation expense on capital assets reported in the government-wide statement of activities and changes in net assets does not require the use of current financial resources. Therefore, depreciation expense is not reported as an expenditure in governmental funds.	(98,822)
Some property taxes will not be collected for several months after the City's fiscal year end and are not considered "available" revenues in the governmental funds.	4,257
Governmental funds report the payment of the capital lease principal when the current financial resources are available and payments are due.	28,294
Expenditures are recognized in the governmental funds when paid are due for items not normally paid with available financial resources. However, the statement of activities is presented on an accrual basis and expenses are reported when incurred.	2,337
Change in net assets of governmental activities	$ 43,266

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

CITY OF SEADRIFT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2020

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Solid Waste	Harbor Maintenance	Totals
ASSETS				
Current assets:				
Cash and cash equivalents	$ 81,530	$ 57,984	$ 155,569	$ 295,083
Restricted cash:				
Customer deposits	117,255	-	-	117,255
Revenue bond debt service account	156,233	-	70,656	226,889
Accounts receivable - trade (net)	94,231	-	-	94,231
Accounts receivable - grants	85,398	-	23,371	108,769
Inventory	41,721	-	-	41,721
Total current assets	576,368	57,984	249,596	883,948
Noncurrent assets:				
Capital assets:				
Land, buildings and improvements	15,830	-	2,634,572	2,650,402
Construction in progress	42,148	-	-	42,148
Utility plant and distribution system	9,152,208	-	500,000	9,652,208
Machinery and other equipment	289,908	190,442	38,244	518,594
Less accumulated depreciation	(4,564,433)	(72,933)	(1,705,454)	(6,342,820)
Total capital assets (net of accumulated depreciation)	4,935,661	117,509	1,467,362	6,520,532
Total assets	5,512,029	175,493	1,716,958	7,404,480
DEFERRED OUTFLOWS OF RESOURCES				
Difference in assumptions - OPEB	2,120	707	-	2,827
Pension contributions after measurement date	10,246	3,415	-	13,661
Total deferred outflows of resources	12,366	4,122	-	16,488

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

CITY OF SEADRIFT, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
September 30, 2020

	Business-type Activities - Enterprise Funds			
	Water and Sewer	**Solid Waste**	**Harbor Maintenance**	**Totals**
LIABILITIES				
Current liabilities:				
Accounts payable - trade	7,981	124	52,713	60,818
Accounts payable - grants	129,698	-	108,268	237,966
Customer deposits	117,255	-	-	117,255
Accrued interest payable	2,490	2,336	839	5,665
Other accrued liabilities	12,677	1,489	-	14,166
Payroll and sales taxes payable	-	1,370	39	1,409
Due to other funds	-	7,625	4,388	12,013
Capital debt - current	7,011	25,161	3,506	35,678
Revenue bonds - current	25,000	-	35,000	60,000
Total current liabilities	302,112	38,105	204,753	544,970
Noncurrent liabilities:				
Net pension obligation	33,698	11,233	-	44,931
Net OPEB obligation	13,387	4,462	-	17,849
Capital debt - noncurrent	2,819	50,345	2,870	56,034
Revenue bonds - noncurrent	615,000	-	205,000	820,000
Total noncurrent liabilities	664,904	66,040	207,870	938,814
Total liabilities	967,016	104,145	412,623	1,483,784
DEFERRED INFLOWS OF RESOURCES				
Difference in projected and actual earnings on pension plan investments	10,099	3,366	-	13,465
Difference in expected and actual pension plan experience	2,797	932	-	3,729
Difference in assumptions - net pension	2,100	700	-	2,800
Difference in expected and actual OPEB experience	539	180	-	719
Total deferred inflows of resources	15,535	5,178	-	20,713
NET POSITION				
Net investment in capital assets	4,285,831	42,003	1,220,986	5,548,820
Restricted for inventory - nonexpendable	41,721	-	-	41,721
Restricted for:				
Revenue bond debt service account	156,233	-	70,656	226,889
Unrestricted	58,059	28,289	12,693	99,041
Total net position	$ 4,541,844	$ 70,292	$ 1,304,335	$ 5,916,471

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

CITY OF SEADRIFT, 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 and Sewer	**Solid Waste**	**Harbor Maintenance**	**Totals**
Operating revenues:				
Water and sewer sales	$ 718,294	$ -	$ -	$ 718,294
Sanitation sales	-	226,171	-	226,171
Oyster sack fees	-	-	100,156	100,156
Dumpster income	-	-	1,730	1,730
Harbor rentals	-	-	80,775	80,775
Total operating revenues	718,294	226,171	182,661	1,127,126
Operating expenses:				
Personnel services	325,162	106,886	44,137	476,185
Maintenance	57,703	3,025	13,431	74,159
Supplies	61,221	8,965	3,136	73,322
Service	178,775	74,990	12,838	266,603
Sundry charges	64,484	916	15,330	80,730
Depreciation	225,068	25,876	74,719	325,663
Total operating expenses	912,413	220,658	163,591	1,296,662
Operating income (loss)	(194,119)	5,513	19,070	(169,536)
Non operating revenues (expenses):				
Interest income	2,597	299	1,262	4,158
Interest expense	(30,601)	(5,405)	(9,860)	(45,866)
Other income	426	-	-	426
Other expense	-	-	(277)	(277)
Grant revenue	198,500	320	48,497	247,317
Grant expense	(25,678)	(320)	(42,224)	(68,222)
Transfer in	251,152	-	29,318	280,470
Transfer out	(138,133)	(320)	(16,465)	(154,918)
Total non operating revenues (expenses)	258,263	(5,426)	10,251	263,088
Change in net position	64,144	87	29,321	93,552
Net position - beginning	4,477,700	70,205	1,275,014	5,822,919
Net position - ending	$ 4,541,844	$ 70,292	$ 1,304,335	$ 5,916,471

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

CITY OF SEADRIFT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds			
	Water and Sewer	**Solid Waste**	**Harbor Maintenance**	**Totals**
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	$ 651,446	$ 226,171	$ 182,661	$ 1,060,278
Payments to suppliers	(278,161)	(84,433)	(57,248)	(419,842)
Payments to employees	(321,916)	(113,638)	(44,098)	(479,652)
Net cash provided by (used for) operating activities	51,369	28,100	81,315	160,784
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in from other funds	251,152	-	29,318	280,470
Transfers out to other funds	(138,133)	(320)	(16,465)	(154,918)
Net cash provided by (used for) noncapital financing activities	113,019	(320)	12,853	125,552
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Proceeds from other income	426	-	-	426
Expenditures for other expense	-	-	(277)	(277)
Purchases of capital assets	(209,587)	-	(2,700)	(212,287)
Purchases associated with construction in progress	(42,148)	-	-	(42,148)
Interest paid on debt	(30,601)	(5,405)	(9,860)	(45,866)
Grant income	198,500	320	48,497	247,317
Grant expenses	(25,678)	(320)	(42,224)	(68,222)
Principal paid on capital lease	(8,764)	(23,673)	(2,921)	(35,358)
Principal paid on debt	(24,000)	-	(35,000)	(59,000)
Net cash provided by (used for) capital and related financing activities	(141,852)	(29,078)	(44,485)	(215,415)
CASH FLOWS FROM INVESTING ACTIVITIES				
Interest and dividends received	2,597	299	1,262	4,158
Net cash provided by (used for) investing activities	2,597	299	1,262	4,158
Net increase in cash and cash equivalents	25,133	(999)	50,945	75,079
Cash and cash equivalents at beginning of year	329,885	58,983	175,280	564,148
Cash and cash equivalents at end of year	$ 355,018	$ 57,984	$ 226,225	$ 639,227

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

CITY OF SEADRIFT, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
For the Year Ended September 30, 2020

	Business-type Activities - Enterprise Funds			
	Water and Sewer	Solid Waste	Harbor Maintenance	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES				
Operating income (loss)	$ (194,119)	$ 5,513	$ 19,070	$ (169,536)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	225,068	25,876	74,719	325,663
(Increase) decrease in accounts receivable - trade (net)	(6,482)	-	-	(6,482)
(Increase) decrease in accounts receivable - grant	(60,366)	-	(20,646)	(81,012)
(Increase) decrease in inventory	(24,016)	-	-	(24,016)
(Increase) decrease in pension related deferred outflows	11,371	7,394	-	18,765
(Increase) decrease in OPEB related deferred outflows	(2,120)	(707)	-	(2,827)
Increase (decrease) in accounts payable - trade	(28,464)	(221)	(17,630)	(46,315)
Increase (decrease) in accounts payable - grant	129,698	-	29,941	159,639
Increase (decrease) in accrued interest	-	2,336	-	2,336
Increase (decrease) in other liabilities	6,739	1,348	39	8,126
Increase (decrease) in due to other funds	-	-	(4,178)	(4,178)
Increase (decrease) in meter deposits	65	-	-	65
Increase (decrease) in net pension	(24,994)	(18,113)	-	(43,107)
Increase (decrease) in OPEB	4,277	(93)	-	4,184
Increase (decrease) in pension related deferred inflows	14,452	4,726	-	19,178
Increase (decrease) in OPEB related deferred inflows	260	41	-	301
Total adjustments	245,488	22,587	62,245	330,320
Net cash provided by (used for) operating activities	$ 51,369	$ 28,100	$ 81,315	$ 160,784
RECONCILIATION OF TOTAL CASH				
Cash	$ 81,530	$ 57,984	$ 155,569	$ 295,083
Restricted cash	273,488	-	70,656	344,144
Total cash	$ 355,018	$ 57,984	$ 226,225	$ 639,227

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

CITY OF SEADRIFT, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
SPECIAL AGENCY FUND
September 30, 2020

	Special Agency Fund	Total
ASSETS		
Cash and cash equivalent	$ 2,350	$ 2,350
Total assets	$ 2,350	$ 2,350
LIABILITIES		
Due to others	$ 2,350	$ 2,350
Total liabilities	$ 2,350	$ 2,350

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

NOTES TO THE FINANCIAL STATEMENTS

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Seadrift, Texas (City) was incorporated in 1912 as a Type B General Law Municipality and provides the following services: general government, public safety/municipal court, streets, animal control, parks, and water, sewer and sanitation services.

Basis of Accounting/Measurement Focus
The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The accounting and reporting policies of the City relating to the funds included in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled *Audits of State and Local Governmental Units*, and by the Financial Accounting Standards Board (when applicable). As allowed in Section P80 of GASB's *Codification of Governmental Accounting and Financial Reporting Standards*, the City has elected not to apply to its proprietary activities Financial Accounting Standards Board Statements and interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee of Accounting Procedure issued after November 30, 1989. The more significant accounting policies of the City are described below.

A. Government-Wide Financial Statements

The City Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets as well as infrastructure assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the Government-Wide financial statements. The City has presented all major funds that met those qualifications.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current position. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The following are the City's Governmental Fund types:

General Fund
The General Fund is the general operating fund of the City. All financial resources, except those required to be accounted for in another fund, are accounted for in the General Fund.

Special Revenue Funds
The Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trust, or major capital projects) that are legally restricted to expenditures for specified purposes.

C. Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources measurement focus and the accrual basis of accounting." Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Proprietary Fund Financial Statements (Concluded)

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

The City reports the following major proprietary funds:

Water and Sewer Fund
The Water and Sewer Fund accounts for the activities necessary to provide water and wastewater services to the residents of the City. These activities include administration, water and wastewater system operations and maintenance, new construction, financing and related debt service.

Solid Waste Fund
Solid Waste Fund accounts for solid waste collection services provided to the residents of the City.

Harbor Maintenance Fund
The Harbor Maintenance Fund accounts for the maintenance and operation of the City Harbor.

D. Fiduciary Fund

Special Agency Fund
Agency funds are one of four types of fiduciary funds. Agency funds are used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

E. Budget

The City Council follows these procedures in establishing the City budgets:

1. Thirty to sixty days prior to the beginning of each fiscal year, the department supervisors submit to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted at which comments concerning the budget are heard.
3. The budget is legally enacted by the City Council prior to the beginning of the fiscal year.
4. The City Secretary is authorized to transfer budgeted amounts between the departments within any fund; however any revisions that alter the total expenditures of any fund must be approved by the City Council.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

F. Inventory

The Proprietary Fund inventory is valued at actual cost. Material and supplies, which constitute the bulk of the inventory, are charged to expense when acquired. Inventory on hand at the balance sheet date is appropriately adjusted and recorded as a current asset in the Proprietary Fund.

G. Vacation, Comp Time and Sick Leave

Vacation time is earned when an employee reaches their first year of service. An employee accrues 80 hours of vacation time from one year of service to the end of 4 years of service. Employees with 5 years of service to the end of 10 years of service accrue 104 hours of vacation time. Employees with 10 years of service to the end of 15 years of service will accrue 120 hours of vacation time. After 15 years of service, employees will accrue an additional 40 hours of vacation time every 5 years up to 35 years of service. Earned vacation time is generally required to be used within one year of accrual; however, employees with less than 5 years of service can carry over 40 hours of vacation time and employees with more than 5 years of service can carry over 80 hours of vacation time. The City will reimburse employees for a maximum of ten unused vacation days (80 hours) accrued during the current year. Any other vacation days are lost if not used. Accrued vacation for the Governmental and Proprietary funds was $20,443 for the year ended September 30, 2020.

Comp time is accrued as time is earned for all overtime hours worked. The City will reimburse an employee every third month for any comp time accrued. Accrued comp time for the Governmental and Proprietary funds was $1,000 for the year ended September 30, 2020.

The City allows employees 12 sick days annually. Up to 24 days of sick leave can be accumulated. Sick leave is paid only upon illness while in the employment of the City. Sick leave is not accrued for City of Seadrift, Texas due to an immaterial amount of accrued sick leave at year end.

H. Restricted Resources

The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

I. Classification of Fund Balances

In accordance with *Government Accounting Standards Board 54, Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balances as follows:

Non-spendable – includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.
Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority and does not lapse at year-end.
Assigned – includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the City Council.
Unassigned – includes positive fund balance within the General Fund which has not been classified within the above mentioned categories and negative fund balances in other governmental funds.

The City uses restricted/committed amounts to be spent first when both restricted and unrestricted fund balance are available unless there are legal documents/contracts that prohibit doing this, such as a grant agreement requiring dollar spending. Additionally, the Government would first use committed, then assigned, and lastly unassigned amounts of fund balance when expenditures are made.

The Government does not have a formal minimum fund balance policy.

J. Property Tax

Taxes are levied on October 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 and attach as an enforceable lien on the property as of July 1 of the following year. The Calhoun County Appraisal District bills and collects taxes for the City. Property taxes not collected within 60 days are deemed not to be material to the financial statements, so no allowance for doubtful accounts has been established.

The City reports deferred revenue on its General Fund balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when the City receives resources before it has legal claim to them. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

During the year ended September 30, 2020, the City levied an ad valorem tax for maintenance and operations at a rate of $0.5600 per $100 of appraised value. A total tax levy of $409,896 resulted, based on a net taxable valuation of $63,907,049 for the 2019 tax year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Capital Assets

Capital assets purchased or acquired are carried at historical cost or estimated historical cost. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on capital assets is calculated on the straight-line basis over the following estimated useful lives:

Land	Not depreciated
Buildings	10 – 40 years
Equipment	5 – 10 years
Other improvements	7 – 15 years
Bayfront assets	20 – 40 years
Ballpark	40 years
Vehicles	5 – 20 years
Water and sewer assets	5 – 50 years
Harbor assets	7 – 45 years

Interest is capitalized on assets, other than infrastructure assets, acquired with tax-exempt debt. The amount of interest capitalized is the net interest expense incurred (interest expense less interest income) from the date of the borrowing until completion of the project. No interest was capitalized for the year ended September 30, 2020. The amount of interest charged to expense was $51,013.

L. Excess of Expenditures/Expenses over Revenues in Individual Funds

An excess of expenditures/expenses over revenues occurred in the following fund in the year ended September 30, 2020:

	Amount
General Fund	$144,633
Water and Sewer Fund	$194,119

M. Statement of Cash Flows

For purposes of the statement of cash flows, the Proprietary funds consider all highly liquid investments to be cash equivalents.

N. Restricted Assets

Certain resources of the City have been set aside in the Business-type activities for meter deposits and bond requirements. These resources are classified as restricted on the Statement of Net Position because their use is limited by applicable bond covenants or other restrictions and they are maintained in separate bank accounts.

O. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks. The City also considers all highly liquid investments with maturity of twelve months or less when purchased to be cash equivalents. Carrying values of cash and cash equivalents approximate fair value due to the short-term nature of the instruments.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

P. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The City has four items that qualify for reporting in this category. Three are related to the deferred future pension expense related to the net pension liability and one is related to the deferred future OPEB expense related to the net OPEB obligation. Deferred future pension expense results from the difference in expected and actual experience, the difference in actuarial assumption changes, and pension contributions remitted after the measurement date. Deferred future OPEB expense results from the difference in actuarial assumption changes. All differences are based on actuarial gains or losses. These amounts are deferred and amortized over their respective remaining recognition period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The government has two items that qualify for reporting in this category. One is related to the deferred future net pension income related to the net pension liability and the other is related to unearned revenue. Deferred future net pension income results from the difference in investment returns. The second type arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

Q. Pensions

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

R. Other Post-Employment Benefits ("OPEB")

The fiduciary net position of the City's defined benefit life insurance plan ("OPEB") has been determined using the flow of economic resources measurement focus and the full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, and information about assets, liabilities and additions to/deductions from the OPEB Plan's net position. Benefit payments are recognized when due and payable in accordance with benefit terms. There are no investments as this is a pay-as-you-go plan.

NOTE 2: CASH AND CASH EQUIVALENTS

The City maintains cash that is available for use by all funds, except as restricted. Each fund types' portion of these monies is displayed on the combined balance sheet as "Cash and cash equivalents" or "Restricted cash" under each fund's caption. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as needed.

Collateral for Deposits
State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. All deposits of the City that exceeded the federal depository insurance coverage level of $250,000 per account were covered by collateral held by the Federal Reserve Bank of Boston in the City's name. The market value of the collateral held at the Federal Reserve Bank of Boston in the City's name at fiscal year-end was $1,287,843. As of September 30, 2020, the carrying amount of the City's deposits was $1,171,425, and the bank balance was $1,414,984.

Texas Government Code authorizes City of Seadrift, Texas to invest in the following eligible securities:

1. A surety bond;
2. An investment security;
3. An ownership or beneficial interest in an investment security, other than an option contract to purchase or sell an investment security;
4. A fixed-rate collateralized mortgage obligation that has an expected weighted average life of ten years or less and does not constitute a high-risk mortgage security;
5. A floating-rate collateralized mortgage obligation that does not constitute a high-risk mortgage security;
6. A letter of credit issued by a federal home loan bank.

Investment securities are defined as:

1. An obligation that in the opinion of the Attorney General of the United States is a general obligation of the United States and backed by its full faith and credit;
2. A general or special obligation issued by a public agency that is payable from taxes, revenues, or a combination of taxes and revenues;
3. A security in which a public entity may invest under Subchapter A, Chapter 2256 of Texas Statutes.

NOTE 2: CASH AND CASH EQUIVALENTS (Concluded)

Certificates of Deposit

The City has three certificates of deposit with First National Bank with a total carrying and market value of $145,529 all of which is unrestricted. Interest income is recorded in the Harbor Maintenance Fund and the Water and Sewer Fund. All certificates of deposit are automatically renewed on maturity date. The carrying and market value by fund are as follows:

	Amount
Harbor Maintenance Fund	$ 108,176
Water and Sewer Fund	37,354
Total carrying and market value of certificate of deposit investments	$ 145,530

Total interest received from the certificates of deposit during the year ended September 30, 2020 totaled $877.

Investment Risks

As the City does not have investments, it is not exposed to Credit Risk, Concentration of Credit Risk, or Interest Rate Risk.

CITY OF SEADRIFT, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
For the Year Ended September 30, 2020

NOTE 3: CHANGES IN FIXED ASSETS

Governmental Activities

The following is a summary of changes in the general fixed asset account group for the fiscal year:

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 42,118	$ -	$ -	$ 42,118
Construction in progress	59,180	249,471	35,869	272,782
Total capital assets not being depreciated	101,298	249,471	35,869	314,900
Capital assets, being depreciated:				
Buildings	248,126	-	-	248,126
Bayfront	426,830	-	-	426,830
Ballpark	289,531	-	-	289,531
Kid/Skate Park	39,281	-	-	39,281
Harbor	81,020	-	-	81,020
Hotel/Motel	57,099	35,869	-	92,968
Machinery and equipment	743,801	100,718	-	844,519
Real estate fund	104,741	-	-	104,741
Streets	134,914	-	-	134,914
Total capital assets, being depreciated	2,125,343	136,587	-	2,261,930
Less accumulated depreciation for:				
Buildings	187,873	7,658	-	195,531
Bayfront	332,845	4,751	-	337,596
Ballpark	208,059	6,748	-	214,807
Kid/Skate Park	26,039	2,492	-	28,531
Harbor	66,341	2,026	-	68,367
Hotel/Motel	12,494	2,923	-	15,417
Machinery and equipment	369,887	64,594	-	434,481
Real estate fund	12,560	750	-	13,310
Streets	46,220	6,880	-	53,100
Total accumulated depreciation	1,262,318	98,822	-	1,361,140
Total capital assets, being depreciated, net	863,025	37,765	-	900,790
Governmental activities capital assets, net	$ 964,323	$ 287,236	$ 35,869	$ 1,215,690

NOTE 3: CHANGES IN FIXED ASSETS (Continued)

Business-type Activities

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 9,000	$ -	$ -	$ 9,000
Construction in progress	22,385	42,148	22,385	42,148
Total capital assets, not being depreciated	31,385	42,148	22,385	51,148
Capital assets, being depreciated:				
Buildings	9,156	9,280	2,609	15,827
Water system	3,738,229	31,148	-	3,769,377
Sewer system	5,351,742	93,373	-	5,445,115
Harbor	3,125,572	-	-	3,125,572
Machinery and equipment	361,410	100,869	5,966	456,313
Total capital assets, being depreciated	12,586,109	234,670	8,575	12,812,204
Less accumulated depreciation for:				
Buildings	9,101	598	2,609	7,090
Water system	1,902,593	62,279	-	1,964,872
Sewer system	2,328,092	150,613	-	2,478,705
Harbor	1,604,539	71,123	-	1,675,662
Machinery and equipment	181,407	41,050	5,966	216,491
Total accumulated depreciation	6,025,732	325,663	8,575	6,342,820
Total capital assets, being depreciated, net	6,560,377	(90,993)	-	6,469,384
Business-type activities capital assets, net	$ 6,591,762	$ (48,845)	$ 22,385	$ 6,520,532

Depreciation expense was charged to functions as follows:

	Amount
Governmental activities:	
General government	$ 22,177
Public safety	47,416
Streets	9,415
Hotel/motel	2,923
Culture and recreation	16,891
Total depreciation expense - governmental activities	$ 98,822
Business-type activities:	
Water and sewer	$ 225,068
Solid waste	25,876
Harbor	74,719
Total depreciation expense - business-type activities	$ 325,663

NOTE 3: CHANGES IN FIXED ASSETS (Concluded)

Impairment of Capital Assets

On August 25, 2017, Hurricane Harvey passed through Calhoun County, Texas, and the region was subsequently declared a federal disaster area. As a result of the storm, the City experienced extensive damage to their water and wastewater plants, the Bayfront harbor, parks and other areas. During this time, the City was required to incur additional expenditures beyond the normal operations in order to provide services to customers and perform cleanup operations once the storm had passed. During fiscal year ended September 30, 2018, insurance recoveries in the amount of $11,347 were received and recorded as revenues. The City did not receive any additional insurance recoveries during fiscal year ended September 30, 2020 and does not expect to receive any additional insurance recoveries. The City will continue to apply for support from Federal Emergency Management Agency (FEMA) and other federal and state agencies.

The City is in the process of making needed repairs and the City's water and wastewater facilities are operational. Impairment losses were recognized for fiscal year ended September 30, 2018 due to fully damaged assets having been replaced and substantial repairs to major facilities have been performed.

NOTE 4: CONTINGENT LIABILITIES

During fiscal year ended 2019, the City initiated many sundry repair projects related to Hurricane Harvey damages. Some of these projects were and will be funded through Federal Emergency Management Agency's (FEMA) Public Assistance grant and local City funds. At September 30, 2020, several construction projects had begun and other projects had only preliminary engineering work completed. As these projects are in their earliest phases, an estimated completion date is not known at this time. For the fiscal year ended September 30, 2020, all construction and preliminary engineering work associated with these projects has been capitalized as construction in progress on the financial statements.

FEMA funds are contingent on the City completing each project according to FEMA's Public Assistance grant policy guidelines. FEMA could recoup a portion or all of the funds if discrepancies are found in the documentation or nature of the expenses that are being reimbursed.

NOTE 4: CONTINGENT LIABILITIES (Concluded)

The following projects have been approved and awarded to the City from FEMA:

	Total Project	Total Expenditures	Project Remaining
Children's Memorial Park	$ 4,939	$ -	$ 4,939
Sportsplex	84,620	-	84,620
Debris removal	158,767	158,767	-
Street and traffic control signs	10,359	10,359	-
Harbor moorings/jetty	480,648	13,770	466,878
Harbor west side	28,377	-	28,377
Heron slough	22,693	-	22,693
Harbor lift stations	136,506	136,506	-
Shoreline erosion	290,869	17,685	273,184
Park restroom	255,556	8,775	246,781
Seawall - Bayfront Park	6,407,369	215,749	6,191,620
Harbor debris removal	49,950	25,154	24,796
PAAP DAC	402,851	210,840	192,011
Pier	184,693	8,100	176,593
Totals	$ 8,518,197	$ 805,705	$ 7,712,492

NOTE 5: INTERFUND ASSETS/LIABILITIES

Due from/to other funds balances at September 30, 2020 were as follows:

Fund	Due From Other Funds	Due to Other Funds
General Fund	$ 12,013	$ (20,886)
Harbor Maintenance	-	(4,388)
Solid Waste Fund	-	(7,625)
Real Estate Fund	20,886	-
	$ 32,899	$ (32,899)

The purpose of these balances is to account for monies paid by one fund for another. The balances are expected to be paid during the current year.

NOTE 6: LONG-TERM LIABILITIES SCHEDULE

A. Changes in Long-Term Debt

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

Description and Purpose	Amount of Original Issue	Maturity Date	Interest Rate	Balance 10/1/2019	Issued During Year	Increases (Decreases) During Year	Balance 9/30/2020	Due Within One Year
Governmental-type activities								
General Fund:								
Net Pension Liability (Note 9)	$ -	various	various	$ 58,692	$ -	$ (28,738)	$ 29,954	$ -
OPEB Liability (Note 10)	$ -	various	various	9,110	-	2,789	11,899	-
Capital Lease Obligation (Note 7)	$ 35,057	5/8/2022	3.25%	18,594	-	(7,393)	11,201	5,550
Capital Lease Obligation (Note 7)	$ 219,616	8/15/2026	2.84%	160,060	-	(20,901)	139,159	21,586
Direct Borrowing (Note 8)	$ 395,016	9/20/2023	3.00%	395,016	-	-	395,016	-
Business-type activities								
Water and Sewer Fund:								
Net Pension Liability (Note 9)	$ -	various	various	58,692	-	(24,994)	33,698	-
OPEB Liability (Note 10)	$ -	various	various	9,110	-	4,277	13,387	-
General Obligation Bonds (Note 8)	$ 990,000	9/1/2037	4.50%	664,000	-	(24,000)	640,000	25,000
Capital Lease Obligation (Note 7)	$ 35,057	5/8/2022	3.25%	18,594	-	(8,764)	9,830	7,011
Solid Waste Fund:								
Net Pension Liability (Note 9)	$ -	various	various	29,346	-	(18,113)	11,233	-
OPEB Liability (Note 10)	$ -	various	various	4,555	-	(93)	4,462	-
Capital Lease Obligation (Note 7)	$ 121,505	10/15/2022	3.09%	99,179	-	(23,673)	75,506	25,161
Harbor Maintenance Fund:								
General Obligation Bonds (Note 8)	$ 525,000	9/1/2026	3.66%	275,000	-	(35,000)	240,000	35,000
Capital Lease Obligation (Note 7)	$ 17,528	5/8/2022	3.25%	9,297	-	(2,921)	6,376	3,506
Total long-term debt				$ 1,809,245	$ -	$ (187,524)	$ 1,621,721	$ 122,814

NOTE 7: CAPITAL LEASE AGREEMENTS

On August 15, 2016, the City entered into a lease agreement as lessee for financing the acquisition of a fire truck.

On October 15, 2017, the City entered into a lease agreement as lessee for financing the acquisition of a backhoe. The backhoe will be used between the General Fund, Water and Sewer Fund and Harbor Maintenance Fund by the following allocations: 40%, 40%, and 20%, respectively.

On October 15, 2017, the City entered into a lease agreement as lessee for financing the acquisition of a garbage truck.

These lease agreements qualify as a capital lease for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the inception date.

	Stated Interest Rate	Present Value of Remaining Payments at 9/30/2020
Governmental-type activities		
General Fund:		
Fire truck	2.84%	$ 139,159
Case backhoe	3.25%	11,201
Business-type activities		
Water and Sewer Fund:		
Case backhoe	3.25%	9,830
Solid Waste Fund:		
Hino garbage truck	3.09%	75,506
Harbor Maintenance Fund:		
Case backhoe	3.25%	6,376
Total capital lease obligations		$ 242,072

NOTE 7: CAPITAL LEASE AGREEMENTS (Concluded)

Equipment and related accumulated depreciation under the capital leases are as follows:

	Governmental Activities	Business-type Activities
Machinery and equipment	$ 276,473	$ 174,090
Less: accumulated depreciation	(65,619)	(70,496)
Net value	$ 210,854	$ 103,594

As of September 30, 2020, capital lease annual requirements are as follows:

Year Ending September 30	Governmental Activities	Business-type Activities
2021	$ 31,615	$ 38,807
2022	31,571	33,008
2023	25,536	25,987
2024	25,536	-
2025	25,536	-
2026	25,625	-
Total requirements	165,419	97,802
Less interest	(15,059)	(6,090)
Present value of remaining payments	$ 150,360	$ 91,712

NOTE 8: LONG-TERM LIABILITIES

A. Changes in Long-Term Debt (Concluded)

The Proprietary Fund interest expense consists of $30,601 paid by the Water and Sewer Fund for retirement of revenue bond debt and capital debt obligation, $5,405 paid by the Solid Waste Fund for capital debt obligation and $9,860 paid by the Harbor Maintenance Fund for retirement of certificates of obligation debt and capital debt obligation.

The Governmental Fund interest expense consisted of $5,147 paid by the General Fund for capital debt obligations.

B. Revenue Bonds and Certificates of Obligation – Business-type Activities

$990,000 "City of Seadrift, Texas, Waterworks and Sewer System Revenue Bonds, Series 1998," dated January 1, 1998
On January 6, 1998, the City of Seadrift authorized the issuance of $990,000, Series 1998, Waterworks Sewer System Revenue Bonds. Interest is payable on March 1 annually. Principal payments ranging from $8,000 to $54,000 are due annually on September 1 and continue until September 1, 2037. The interest rate is fixed at 4.50% per annum.

The revenue bonds are collateralized by the revenue of the water and sewer systems and the various special funds established by the bond ordinance. The ordinance provided that the revenue of the system is primarily to pay operating and maintenance expenses of the system and secondarily to establish and maintain the revenue bond funds. Any remaining revenues may then be used for any lawful purpose. The ordinance contains provisions which require the City to accumulate and maintain $53,807 in the Revenue Bond Reserve Fund and an amount equal to the 100% of the next principal and interest payment coming due in the Revenue Bond Payment Fund. At September 30, 2020, the City had $56,690 in the Revenue Bond Reserve Fund and $1,412 in the Revenue Bond Payment Fund.

As of September 30, 2020, the City was not in compliance with the covenants of the bond ordinance.

100% of the bond proceeds were used for water and wastewater improvement purposes.

$525,000 "City of Seadrift, Texas, Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2010," dated September 1, 2010
On September 7, 2010, the City of Seadrift authorized the issuance of $525,000, Series 2010, Combination Tax and Surplus Harbor System Revenue Certificates of Obligation. Interest is payable on March 1 and September 1 of each year until maturity. Principal payments ranging from $25,000 to $45,000 are due annually on September 1 and continue until September 1, 2026. The interest rate is computed on the basis of a 360-day year consisting of twelve 30-day months at a fixed rate of 3.66%.

NOTE 8: LONG-TERM LIABILITIES (Continued)

B. Revenue Bonds and Certificates of Obligation – Business-type Activities (Concluded)

$525,000 "City of Seadrift, Texas, Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2010," dated September 1, 2010 (Concluded)

The Certificates of Obligation are for paying contractual obligations incurred for construction of improvements to the City's harbor and for the payment of professional services and costs of issuance related thereto. The Certificates of Obligation are payable from the levy of an annual ad valorem tax, within the limitations prescribed by law, upon all taxable property within the City and a limited pledge not to exceed $1,000 of the surplus revenues of the City's Harbor System. The ordinance contains provisions which require the City to accumulate and maintain an amount equal to 1/12th of the next principal and interest payment coming due in the Interest and Sinking Fund. At September 30, 2020, the required amount was $3,659. The Interest and Sinking Fund had $70,656.

As of September 30, 2020, the City was in compliance with the covenants of the bond ordinance.

100% of the bond proceeds were used for harbor improvement purposes.

Annual requirements to retire Series 1998 Revenue Bonds are as follows:

Year Ended September 30,	Principal	Interest	Total Requirements
2021	$ 25,000	$ 28,800	$ 53,800
2022	26,000	27,675	53,675
2023	27,000	26,505	53,505
2024	29,000	25,290	54,290
2025	30,000	23,985	53,985
2026-2030	175,000	98,145	273,145
2031-2035	222,000	54,855	276,855
2036-2037	106,000	7,200	113,200
Total	$ 640,000	$ 292,455	$ 932,455

Annual requirements to retire Series 2010 Certificates of Obligation are as follows:

Year Ended September 30,	Principal	Interest	Total Requirements
2021	$ 35,000	$ 8,906	$ 43,906
2022	35,000	7,607	42,607
2023	40,000	6,308	46,308
2024	40,000	4,837	44,837
2025	45,000	3,340	48,340
2026	45,000	1,670	46,670
Total	$ 240,000	$ 32,668	$ 272,668

NOTE 8: LONG-TERM LIABILITIES (Concluded)

C. Five Year Schedule

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

	Governmental Activities	
	Notes from Direct Borrowings	
Year Ended September 30,	Principal	Interest
2021	$ 27,136	$ 4,479
2022	27,850	3,721
2023	417,846	58,634
2024	23,478	2,058
2025	24,145	1,391
2026	24,921	704
	$ 545,376	$ 70,987

	Business-Type Activities			
	Notes from Direct Borrowings		General Bond Obligations	
Year Ended September 30,	Principal	Interest	Principal	Interest
2021	$ 35,678	$ 3,129	$ 60,000	$ 37,706
2022	30,850	2,158	61,000	35,282
2023	25,184	803	67,000	32,813
2024	-	-	69,000	30,127
2025	-	-	75,000	27,325
2026-2030	-	-	220,000	99,815
2031-2035	-	-	222,000	54,855
2036-2037	-	-	106,000	7,200
	$ 91,712	$ 6,090	$ 880,000	$ 325,123

In fiscal year ended 2018, the City of Seadrift, Texas entered into a $395,016 Community Disaster Loan (CDL) agreement with Federal Emergency Management Agency (FEMA) to help sustain the significant loss in revenue due to Hurricane Harvey that had or will adversely affect the City's ability to provide essential municipal services. The loan shall be paid in increments to the City as requested by the City and approved by FEMA. The loan has a term of five years, and each advance will bear interest fixed at 3.0%. Principal and interest will be due on September 20, 2023. However, pursuant to Section 417 of the Stafford Disaster Relief and Emergency Assistance Act, Public Law 93-288, as amended, the principal and interest may be canceled if the City provides to FEMA an inability to pay. The City drew the entire $395,016 against the loan during fiscal year ended 2019.

NOTE 9: PENSION PLAN

A. Plan Description

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

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

B. Benefits Provided

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

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

Plan provisions for the City were as follows:

	Plan Year 2019
Employee deposit rate	5.0%
Matching ratio (city to employee)	1 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20

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	3
Inactive employees entitled to but not yet receiving benefits	1
Active employees	14
Total	18

NOTE 9: PENSION PLAN (Continued)

C. Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year 2020. The contributions rates for the City were 4.28% and 4.83% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended 2020, were $30,280.

D. Net Pension Liability

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

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

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

Salary increases were based on a service-related table. Mortality rates for active members 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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In additional, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

NOTE 9: PENSION PLAN (Continued)

D. Net Pension Liability (Continued)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. 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.

NOTE 9: PENSION PLAN (Continued)

D. Net Pension Liability (Concluded)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability(Asset) (a) - (b)
Balance at 12/31/2018	$ 765,544	$ 618,814	$ 146,730
Changes for the year:			
Service cost	37,035	-	37,035
Interest	52,720	-	52,720
Difference between expected and actual experience	(4,748)	-	(4,748)
Changes in assumptions	(7,594)	-	(7,594)
Contributions - employer	-	24,930	(24,930)
Contributions - employee	-	29,070	(29,070)
Net investment income	-	95,816	(95,816)
Benefit payments, including refunds of employee contributions	(6,049)	(6,049)	-
Administrative expense	-	(541)	541
Other changes	-	(16)	16
Net changes	71,364	143,210	(71,846)
Balance at 12/31/2019	**$ 836,908**	**$ 762,024**	**$ 74,884**

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	$186,435	$74,884	$(18,710)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

NOTE 9: PENSION PLAN (Concluded)

E. 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 (income) of ($8,609).

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	$ -	$ 6,216
Changes in actuarial assumptions	-	4,667
Difference between projected and actual investment earnings	-	22,443
Contributions subsequent to the measurement date December 31, 2019	22,770	-
Total	$ 22,770	$ 33,326

$22,770 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec 31:	Net deferred outflows (inflows) of resources
2020	$(6,482)
2021	(8,784)
2022	(1,916)
2023	(13,194)
2024	(2,074)
Thereafter	(876)
Total	$(33,326)

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

A. Plan Description

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

B. Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other postemployment benefit" (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

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 currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	14
Total	17

C. Contributions

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

The City's contributions to the TMRS SDBF for the fiscal year ended September 30, 2020 were $1,164, which equaled the required contributions each year.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

D. Total OPEB Liability

The City's total OPEB liability of $29,748 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions:
The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5% per year
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.75%
Retirees' share of benefit-related costs	$0

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

Salary increases were based on a graduated service-based scale. Mortality rates for service retirees were based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 98.0%. For disabled retirees, the 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% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor. Pre-retirement mortality rates are based on the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

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

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Continued)

E. Changes in the Total OPEB Liability

Balance at 12/31/2018	$	22,774
Changes for the year:		
Service cost		1,395
Interest on total OPEB liability		870
Differences between expected and actual experience		(720)
Changes in assumptions and other inputs		5,487
Benefit payments		(58)
Net changes		6,974
Balance at 12/31/2019	**$**	**29,748**

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71 percent as of December 31, 2018 to 2.75 percent as of December 31, 2019.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate
The following presents the total OPEB liability of the City, calculated using the discount rate of 2.75%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount Rate (3.75%)
Total OPEB liability	$36,030	$29,748	$24,632

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

For the year ended September 30, 2020, the City recognized OPEB expense of $2,764.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$1,198	$ -
Changes in assumptions and other inputs	-	4,712
Contributions made subsequent to measurement date	N/A	-
Total (excluding contributions made subsequent to measurement date)	$1,198	$4,712

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (Concluded)

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Concluded)

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will not be recognized as a reduction of the total OPEB liability for the year ending September 30, 2020 due to immateriality. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	Net deferred outflows (inflows) of resources
2020	$ 556
2021	556
2022	556
2023	556
2024	482
Thereafter	808
Total	$3,514

NOTE 11: INTERFUND TRANSFERS

Permanent reallocations of resources between funds of the reporting entity are classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Interfund transfers for the year ended September 30, 2020 are as follows:

Fund	Transfer From Other Funds	Transfer to Other Funds
General Fund	$ 154,918	$ 280,470
Solid Waste Fund	-	320
Harbor Maintenance Fund	29,318	16,465
Water and Sewer Fund	251,152	138,133
	$ 435,388	$ 435,388

During the year, transfers were used to 1) move funds from General Fund to Water and Sewer Fund for expenditure assistance and move funds from Water and Sewer Fund to Solid Waste Fund for debit obligation assistance, 2) allocate capital lease payments divided between the General Fund, Harbor Maintenance Fund and Water and Sewer Fund, 3) move FEMA grant and loan funds from General Fund to Water and Sewer Fund, Harbor Maintenance Fund and Solid Waste Fund and 4) move property tax revenues allocated for wastewater treatment plant improvements from General Fund to Water and Sewer Fund.

NOTE 12: OPERATING LEASE AGREEMENTS

On April 18, 2019, the City entered into a lease agreement with Office Systems Center to lease a MP C4504 Digital Color copier for 63 months at $216 per month. The City does not plan to exercise the fair market value option at the end of the lease.

On September 30, 2016, the Police Department entered into a lease agreement with Office Systems Center to lease a Ricoh W913P700261 copier for 63 months at $96 per month. The Police Department does not plan to exercise the fair market value option at the end of the lease.

The annual lease agreement requirements are as follows:

Year Ended September 30,	Amount
2021	$ 4,020
2022	2,970
2023	2,592
2024	2,592
2025	432
	$ 12,606

Expenditures for operating leases for the year ended September 30, 2020 were $3,948.

NOTE 13: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, the health of and injuries to employees, and natural disasters. During the year ended September 30, 2020, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year.

Hurricanes can cause flooding, particularly in coastal areas such as the area where the City is located. Hurricanes can also cause windstorm and other damage, including erosion of property fronting the San Antonio Bay, and hurricane induced flooding can submerge roadways connecting coastal areas such as the City with inland areas, thus preventing evacuation of people and/or property. If a hurricane (or any other natural disaster) destroyed all or part of the City, the assessed value of property within the City could be substantially reduced, with a corresponding decrease in tax revenues or increase in the tax rate. Further, there can be no assurance that a casualty loss will be covered by insurance (certain casualties, including flood, are usually excluded unless specific insurance is purchased), that any insurance company will fulfill its obligation to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair any damaged City property. Even if insurance proceeds are available and the City is rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected. The Gulf Coast region in which the City is located is subject to occasional destructive weather. There can be no assurance the City will not endure damage from future meteorological events.

The City operates in an industry regulated by Texas Commission on Environmental Quality (TCEQ). As a result, various lawsuits, claims, and legal and regulatory proceedings can be instituted or asserted against the City.

NOTE 14: GRANTS

During fiscal year ended September 30, 2019 the City entered into a $308,612 grant agreement (Contract No. DR-4332-0147) with the Texas Department of Public Safety, Texas Division of Emergency Management (TDEM). This grant will provide assistance with the purchase of a permanent generator at the fire station and for portable generators at the lift stations. TDEM's estimated budget of the grant funds requires the City to provide matching funds in the amount of $77,153. During the fiscal year ended September 30, 2020, the City had received and expended grant funds of $60,000, leaving a remaining budget of $171,459. The City also expended $28,450 of its total local match portion leaving a remaining local match requirement of $48,703.

During fiscal year ended September 30, 2019 the City entered into a $4,312,500 grant agreement (Contract No. 08-79-05328; 113494) with the U.S. Department of Commerce, Economic Development Administration. This grant will provide assistance with the infrastructure of the harbor and channel. The estimated budget of the grant funds requires the City to provide matching funds in the amount of $862,500. During the fiscal year ended September 30, 2020, the City expended $7,273 toward its local match portion, leaving a remaining local match requirement of $855,227. As of September 30, 2020, the City has not received or expended any grant funds associated with this agreement.

During fiscal year ended September 30, 2019 the City entered into a $356,407 Texas Community Development Block Grant (Contract No. B-15-DC-48-0001) with U.S. Department of Housing and Urban Development (HUD), passed through the Texas Department of Agriculture (TDA) with Fire, Ambulance, and Service Truck Program (FAST) funds. This grant will provide assistance in the purchase of one fire rescue command/light rescue vehicle, one vehicle extraction rescue set and four self-contained breathing apparatus. During the fiscal year ended September 30, 2020, the City received and expended $93,675 in grant funds. The City also expended its local match requirement on the project by expending funds of $5,000.

During fiscal year ended September 30, 2018 the City entered into a HOME Investment Partnership Program, Homeowner Rehabilitation Assistance grant agreement (Contract No. 2018-0012) with the U.S. Department of Housing and Urban Development (HUD), pass through the Texas Department of Housing and Community Affairs. This grant will provide assistance with the construction of homes for eligible applicants in accordance with the program requirements. The estimated budget of the grant funds is unknown at this time as this grant is in the eligible applicant application process. As of September 30, 2020, the City had not received or expended any funds associated with this grant.

During fiscal year ended September 30, 2019 the City entered into a $1,536,581 Community Development Block Grant – Disaster Recovery (CDBG-DR) funds with the U.S. Department of Housing and Urban Development (HUD), passed through the Texas Land Office (GLO). This grant will provide assistance in the local infrastructure of the City. During the fiscal year ended September 30, 2020, the City had received funds of $72,421, and expended funds of $84,727 associated with this grant.

During the fiscal year ended September 30, 2020 the City entered into an $83,820 Coronavirus Relief Funds grant program with the U.S. Department of Treasury, passed through Texas Division of Emergency Management (TDEM). This grant will provide funding to help the City cover additional costs incurred for sanitization of City equipment and purchase of personal protective equipment for use in City operations. During the fiscal year ended September 30, 2020, the City received $16,764 and expended funds of $13,247.

NOTE 15: INTERLOCAL AGREEMENT

On August 31, 1998, the City entered into an agreement with Calhoun County, Texas whereby the County will undertake projects for the construction, maintenance, improvement, and/or repair of roads, highways and/or streets located within the corporate limits of the City. The City agreed to reimburse the County for labor and other expenses incurred by the County in performance of this agreement. At September 30, 2020, the City was indebted to the County for $0.

On August 3, 2004, the City entered into an interlocal agreement with TML Intergovernmental Employee Benefits Pool for the purpose of providing certain benefits and related services to their employees, officials, retirees and their dependents.

NOTE 16: FUND BALANCES

A schedule of governmental fund balances is provided below:

	General Fund	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:			
Restricted for:			
Law enforcement purposes	$ -	$ 3,278	$ 3,278
Pier improvements	-	18,400	18,400
Municipal court building security	-	4,572	4,572
Municipal court technology fund	-	4,201	4,201
PEG capital fund	-	2,557	2,557
Tourism	-	102,086	102,086
Hurricane Harvey repairs	73,345	-	73,345
Committed to:			
Real estate	-	185,328	185,328
Total fund balances	$ 73,345	$ 320,422	$ 393,767

NOTE 17: SUBSEQUENT EVENTS

On February 12, 2021, Greg Abbott, Governor of the State of Texas, declared a state of disaster in all 254 counties due to the severe winter weather which posed an imminent threat of widespread and severe property damage, injury, and loss of life due to prolonged freezing temperatures, heavy snow and freezing rain statewide. The City suffered widespread damage to property including water line leaks, breaks or frozen lines from February 11, 2021 through February 26, 2021. The City has applied for assistance through the U.S. Department of Homeland Security, Federal Emergency Management Agency, Disaster Relief Public Assistance program and has requested funds in the amount of $30,306 to cover the cost of employee overtime to operate an Emergency Operating Center to serve as a warming station, and to operate emergency generators. As of the date of the audit report, the City has not received funds from this program.

On May 21, 2021, U. S. Department of Housing and Urban Development's Community Development Block Grant Disaster Recovery – Mitigation Harvey Round 1 HUD Most Impacted and Distressed Competition Grant program, which is administered through the Texas General Land Office Community Development and Revitalization division, awarded the City $4,850,939 to help with drainage improvement projects which were damaged by Hurricane Harvey. As of the date of the audit report, the City has not received funds from this program.

On January 12, 2021, the City received notice from the Texas Commission on Environmental Quality (TCEQ) regarding an alleged violation. The City is negotiating with TCEQ regarding the extent of penalties to be incurred by the City. The City anticipates that the exposure to this claim is in the $40,000 to $50,000 range, but it is possible it may be resolved well short of that range.

In preparing these financials statements, events and transactions have been evaluated for potential recognition or disclosure through June 29, 2021, the date the financial statements were available to be issued.

[This page is intentionally left blank.]

APPENDIX D

FORM OF BOND COUNSEL'S OPINION

[This page is intentionally left blank.]

$1,000,000
CITY OF SEADRIFT, TEXAS
COMBINATION TAX AND SURPLUS HARBOR SYSTEM
REVENUE CERTIFICATES OF OBLIGATION
SERIES 2022

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by the City of Seadrift, Texas (the “City”) of its $1,000,000 aggregate original principal amount of Combination Tax and Surplus Harbor System Revenue Certificates of Obligation, Series 2022, dated March 1, 2022 (the “Certificates”).

IN OUR CAPACITY AS BOND COUNSEL, we have examined the Certificates for the sole purpose of rendering an opinion with respect to the legality and validity of the Ordinance (as defined below) and the Certificates under the Constitution and laws of the State of Texas, and with respect to the excludability of the interest on the Certificates from gross income for federal income tax purposes. We have not been requested to investigate or verify, and have not investigated or verified, any records, data or other material relating to the financial condition or capabilities of the City.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas and a Type A General Law municipality. We have also examined applicable provisions of the Internal Revenue Code of 1986, as amended (the “Code”), court decisions, Treasury Regulations, and published rulings of the Internal Revenue Service as we have deemed relevant, a transcript of certified proceedings of the City and other pertinent instruments authorizing and relating to the issuance of the Certificates, including (1) the ordinance (the “Ordinance”) authorizing the issuance of the Certificates, (2) the registered Initial Certificate numbered T-1, and (3) the Arbitrage and Tax Certificate of the City.

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

1. The Certificates are valid and legally binding obligations of the City enforceable in accordance with their terms, except as their enforceability may be limited by bankruptcy, insolvency, or other laws affecting creditors' rights generally and as may be affected by matters involving the exercise of equitable or judicial discretion.

2. The Certificates are secured by and payable from the levy of a direct and continuing annual ad valorem tax upon all taxable property within the City, within limits prescribed by law, sufficient for said purposes, and a limited

3711 S. MoPac Expressway, Building One, Suite 300, Austin, TX 78746 | Phone: 512-472-8021 | Fax: 512-320-5638 | www.bickerstaff.com
Austin El Paso Houston McAllen

pledge (not to exceed $1,000) of the Surplus Revenues from the City's Harbor System, as provided in the Ordinance.

3. Interest on the Certificates is excludable for federal income tax purposes from the gross income of the owners thereof pursuant to Section 103 of the Code and will not constitute a specific item of tax preference under Section 57 of the Code for purposes of calculating the alternative minimum tax on individuals.

In addition, the City has designated the Certificates as "qualified tax-exempt obligations" for the purpose of Section 265 of the Code dealing with financial institutions and has represented that the total amount of tax-exempt obligations (including the Certificates) issued by it is not reasonably anticipated to exceed $10,000,000 in tax-exempt obligations during calendar year 2022.

In rendering this opinion, we have assumed continuing compliance by the City with the covenants contained in the Ordinance and the Arbitrage and Tax Certificate, that it will comply with the applicable requirements of the Code, including requirements relating to, *inter alia*, the use and investment of proceeds of the Certificates and rebate to the United States Treasury of specified arbitrage earnings, if any, under Section 148(f) of the Code. Failure of the City to comply with such covenants could result in the interest on the Certificates being subject to federal income tax from the date of issue. We have not undertaken to monitor compliance with such covenants or to advise any party as to changes in the law after the date hereof that may affect the tax-exempt status of the interest on the Certificates.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. We observe that the City has covenanted in the Ordinance not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Certificates as includable in gross income for federal income tax purposes.

Respectfully,

RBC® Capital Markets