HTS Continuing Disclosure Services
A Division of Hilltop Securities.
(See "CONTINUING DISCLOSURE OF INFORMATION" herein)

OFFICIAL STATEMENT

Dated May 24, 2022

Ratings:
S&P: "AA-"
(See "OTHER INFORMATION-Ratings" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" herein.

THE CERTIFICATES **HAVE NOT** BEEN DESIGNATED AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$9,995,000
CITY OF ANGLETON, TEXAS
(Brazoria County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: June 1, 2022 **Due: August 15, as shown on page 2 hereof**
Interest Accrues from: (Delivery Date)

PAYMENT TERMS . . . Interest on the $9,995,000 City of Angleton, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the date of initial delivery, expected June 15, 2022, to the purchaser thereof (the "Delivery Date") and will be payable February 15 and August 15 of each year commencing February 15, 2023, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Angleton, Texas (the "City"), payable from and secured by a combination of (i) a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sewer system in an amount not to exceed $1,000, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for the purposes of evidencing the indebtedness of the City for all or any part of the costs associated with the (i) acquisition, construction and equipment of a facility for parks and recreation, public works, and information technology; (ii) acquisition, construction and equipment of firefighting facilities; (iii) acquisition of waterworks and sewer system equipment; (iv) acquisition, construction and equipment of city streets and related infrastructure; and (v) costs of professional services related thereto.

CUSIP PREFIX: 034789
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION").

MANDATORY SINKING FUND REDEMPTION . . . In addition, the Certificates maturing August 15, 2033, August 15, 2035, August 15, 2037, August 15, 2039, August 15, 2041, August 15, 2043 and August 15, 2052 (the "Term Certificates") are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the initial purchaser (the "Initial Purchaser") and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel (see Appendix C, "Form of Bond Counsel's Opinion").

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of The Depository Trust Company on or about June 15, 2022.

MATURITY SCHEDULE **CUSIP Prefix: 034789**

Principal Amount*	Maturity Aug 15	Interest Rate	Price or Yield [1]	CUSIP Suffix [2]
$ 85,000	2023	6.000%	2.200%	WH6
165,000	2024	6.000%	2.520%	WJ2
170,000	2025	6.000%	2.690%	WK9
185,000	2026	6.000%	2.810%	WL7
195,000	2027	5.000%	2.920%	WM5
205,000	2028	5.000%	3.000%	WN3
215,000	2029	5.000%	3.110%	WP8
225,000	2030	5.000%	3.190%	WQ6
235,000	2031	5.000%	3.260%	WR4

$505,000 5.000% Term Certificates Due August 15, 2033[3] Priced to Yield 3.350%[1][4] - CUSIP 034789WT0[2]
$555,000 5.000% Term Certificates Due August 15, 2035[3] Priced to Yield 3.450%[1][4] - CUSIP 034789WV5[2]
$615,000 5.000% Term Certificates Due August 15, 2037[3] Priced to Yield 3.500%[1][4] - CUSIP 034789WX1[2]
$675,000 4.000% Term Certificates Due August 15, 2039[3] Priced to Yield 4.000%[1] - CUSIP 034789WZ6[2]
$730,000 4.000% Term Certificates Due August 15, 2041[3] Priced to Yield 4.100%[1] - CUSIP 034789XB8[2]
$785,000 4.000% Term Certificates Due August 15, 2043[3] Priced to Yield 4.142%[1] - CUSIP 034789XD4[2]
$4,450,000 4.125% Term Certificates Due August 15, 2052[3] Priced to Yield 4.243%[1] - CUSIP 034789XN2[2]

Interest will accrue from Delivery Date

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(1) The initial reoffering prices or yields on the Certificates are furnished by the Initial Purchaser and represent the initial offering prices or yields to the public, which may be changed by the Initial Purchaser at any time. Initial yields on premium bonds are calculated to the earlier of maturity or the first optional redemption date.
(2) CUSIP Numbers have been assigned to the Certificates by the CUSIP Service Bureau and are included solely for the convenience of the purchasers of the Certificates. Neither the City, the financial advisor nor the Initial Purchaser shall be responsible for the selection or correctness of the CUSIP Numbers set forth herein
(3) The City reserves the right, at its option, to redeem certificates having stated maturities on or after August 15, 2033, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof on August 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Purchaser may designate one or more maturities as Term Certificates. Certificates designated as term Certificates will be subject to mandatory redemption as described herein. See "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION."
(4) Yield shown to first optional redemption date of August 15, 2033.

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

No dealer, broker, salesperson or other person has been authorized to give information or to make any representation other than those contained in this Official Statement, and, if given or made, such other information 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 accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. 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.

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

Neither the City, Bond Counsel nor the Financial Advisor make any representation or warranty with respect to the information contained in this Official Statement regarding the Depository Trust Company ("DTC") or its book-entry-only system as described under "Book-Entry-Only System" as such information has been provided by DTC.

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

THE CERTIFICATES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, IN RELIANCE UPON EXEMPTIONS CONTAINED IN SUCH ACT. THE REGISTRATION OR QUALIFICATION OF THE CERTIFICATES IN ACCORDANCE WITH APPLICABLE PROVISIONS OF SECURITIES LAW OF THE STATES IN WHICH THE CERTIFICATES HAVE BEEN REGISTERED OR QUALIFIED AND THE EXEMPTION FROM REGISTRATION OR QUALIFICATION IN OTHER STATES CANNOT BE REGARDED AS A RECOMMENDATION THEREOF.

This Official Statement contains "Forward-Looking" statements. 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.

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

IN CONNECTION WITH THIS OFFERING, THE INITIAL PURCHASER MAY OVER-ALLOT OR EFFECT TRANSACTIONS THAT 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.

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this official statement for any purpose.

TABLE OF CONTENTS

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY .... The City of Angleton (the "City") is a political subdivision and municipal corporation of the State of Texas (the "State"), located in Brazoria County, Texas. The City covers approximately 10 square miles (see "INTRODUCTION - DESCRIPTION OF CITY").

THE CERTIFICATES...................... The Certificates are issued as $9,995,000 Combination Tax and Revenue Certificates of Obligation, Series 2022. The Certificates are issued as serial certificates maturing on August 15 in each of the years 2023 through_2031 and as term certificates maturing August 15, 2033, August 15, 2035, August 15, 2037, August 15, 2039, August 15, 2041, August 15, 2043 and August 15, 2052 (the "Term Certificates"). (see "THE CERTIFICATES -DESCRIPTION OF THE CERTIFICATES").

PAYMENT OF INTEREST .... Interest on the Certificates accrues from the Delivery Date, expected to be June 15, 2022, and is payable February 15, 2023, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION").

AUTHORITY FOR ISSUANCE.......... The Certificates are issued pursuant to the constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an Ordinance adopted by the City Council of the City on May 24, 2022, and the City's Home Rule Charter (see "THE CERTIFICATES - AUTHORITY FOR ISSUANCE").

SECURITY FOR THE CERTIFICATES............................. The Certificates constitute direct obligations of the City, payable from and secured by a combination of (i) a direct and continuing ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and (ii) a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sewer system in an amount not to exceed $1,000 (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").

NOT QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City will not designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2033, in whole or from time to time in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION"). In addition, the Certificates maturing August 15, 2033, August 15, 2035, August 15, 2037, August 15, 2039, August 15, 2041, August 15, 2043 and August 15, 2052 (the "Term Certificates") are also subject to mandatory sinking fund redemption in part prior to maturity at the price of par plus accrued interest to the redemption date. (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION")

TAX EXEMPTION.......................... In the opinion of Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purposes of evidencing the indebtedness of the City for all or any part of the costs associated with the (i) acquisition, construction and equipment of a facility for parks and recreation, public works, and information technology; (ii) acquisition, construction and equipment of firefighting facilities; (iii) acquisition of waterworks and sewer system equipment; (iv) acquisition, construction and equipment of City streets and related infrastructure; and (v) costs of professional services related thereto.

RATINGS .... The Certificates and presently outstanding tax supported debt of the City are rated "AA-" by S&P Global Ratings ("S&P") without regard to credit enhancement. (see "OTHER INFORMATION - RATINGS").

BOOK-ENTRY-ONLY SYSTEM .... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM") .

PAYMENT RECORD .... The City has never defaulted in payment of its general obligation tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated City Population	Taxable Assessed Valuation	Per Capita Taxable Assessed Valuation	G.O. Tax Debt Outstanding at End of Year	Per Capita G.O. Tax Debt	Ratio Tax Debt to Taxable Assessed Valuation	Total Tax Collections as a Percent of Total Levy
2017	19,280	$ 890,268,572	$ 46,176	$ 15,235,000	$ 790	1.71%	98.13%
2018	19,565	961,039,581	49,120	22,690,000	1,160	2.36%	99.49%
2019	19,544	1,008,803,758	51,617	20,760,000	1,062	2.06%	99.44%
2020	20,828	1,032,559,478	49,576	27,930,000	1,341	2.70%	98.90%
2021	21,679	1,152,977,210	53,184	28,510,000	1,315	2.47%	100.43%
2022	22,000	1,205,760,837 (1)	54,807	38,420,000 (2)	1,746	3.19%	94.15% (3)

(1) Certified Values from the Brazoria County Appraisal District includes an estimated $80,080,992 still under review by the Appraisal Review Board.
(2) Includes the Certificates and self-supporting debt.
(3) Collections as of April 30, 2022.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	For Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Total Revenue	$ 14,198,016	$ 14,628,749	$ 13,006,405	$ 10,308,554	$ 9,611,234
Total Expenditures	16,840,096 (1)	14,549,956	13,041,798	10,825,760	11,208,058
Other Sources (Uses)	484,539	1,704,955	624,396	1,304,831	1,028,554
Beginning Fund Balance	6,109,354	4,325,606	3,736,597	2,948,972	3,517,242
Increase (decrease) in Fund Balance	(2,642,080)	1,783,748	589,003	787,625	(568,270)
Ending Fund Balance	$ 3,951,813	$ 6,109,354	$ 4,325,600	$ 3,736,597	$ 2,948,972

(1) Includes $835,595 of CARES funding expenditures. Also includes approximately $110,000 of winter storm repairs, $335,000 of storm debris clean-up and $245,000 of legal fee expenditures. Also, represents expenditures from the Combination Tax and Revenue Certificates of Obligation, Series 2019 in the amount of $903,655.

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Position	Term Expires
Jason Perez	Mayor	2023
John Wright	Council Position 3/ Pro Tem	2022
Mikey Svoboda	Council Position 1	2022 (1)
Travis Townsend	Council Position 2	2023
Cecil Booth	Council Position 4	2023
Mark Gongora	Council Position 5	2022 (1)

(1) Run-off elections to be held on June 11, 2022 for Council Positions 1, and 5.

SELECTED ADMINISTRATIVE STAFF

Name	Position	Number of Years in Current Poistion	Number of Years of Municipal Experience
Chris Whittaker	City Manager	2	7
Frances Aguilar	City Secretary	3	17
Tenecha Williams	Interim Finance Director	1 Month	2

CONSULTANTS AND ADVISORS

Auditors .... Belt Harris Pechacek, LLLP
Houston, Texas

Bond Counsel .... Bracewell LLP
Houston, Texas

Financial Advisor .... Hilltop Securities Inc.
Houston, Texas

For additional information regarding the City, please contact:

Chris Whittaker
City Manager
City of Angleton
121 South Velasco
Angleton, Texas 77515
(979) 849-4364
(979) 849-5561 Fax

or

Joe Morrow
Managing Director
Hilltop Securities Inc.
700 Milam, Suite 1200
Houston, Texas 77002
(713) 654-8690
(713) 654-8658 Fax

OFFICIAL STATEMENT

RELATING TO

$9,995,000
CITY OF ANGLETON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the City of Angleton, Texas (the "City") of its $9,995,000 Combination Tax and Revenue, Certificates of Obligation, Series 2022. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance adopted by the City Council of the City on May 24, 2022 that authorized the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1912, and first adopted its Home Rule Charter on February 17, 1967. The City operates under a City Council/Administrator form of government where the Mayor and five Councilmembers are elected for staggered two-year terms. The City Council formulates policy for the City while the City Administrator is the Chief Administrative Officer. The City encompasses approximately ten (10) square miles.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . Interest on the Certificates will accrue from their date of delivery (the "Delivery Date") and mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15, commencing February 15, 2023. The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the 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, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, the City's Home Rule Charter, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . All taxable property within the City is subject to a continuing direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City. Additionally, the Certificates are payable from and secured by a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sewer system in an amount not to exceed $1,000, as provided in the Ordinance.

TAX RATE LIMITATION . . . Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State requires that the maximum annual debt service or all ad valorem tax debt of the City is payable from an allocation of $1.50 of the $2.50 maximum tax rate, as calculated at the time of issuance.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option to redeem Certificates having stated maturities on and after August 15, 2033, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2031, or any date thereafter at par, plus accrued interest from the most recent interest payment date to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates (or mandatory sinking fund redemption amounts with respect to any Term Certificates as defined) to be redeemed. If less than all the Certificates of any one maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Certificate, or portions thereof, within such maturity to be redeemed. If a Certificate (or a portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or 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 maturing on August 15, 2033, August 15, 2035, August 15, 2037, August 15, 2039, August 15, 2041, August 15, 2043 and August 15, 2052 (the "Term Certificates"), are subject to mandatory sinking fund, redemption in part prior to maturity, and will be redeemed by the City at a redemption price equal to the principal amounts thereof, plus accrued interest to the dates of redemption, on the dates and in the principal amounts as follow:

Term Bond Due August 15, 2033

Redemption Date	Principal Amount
August 15, 2032	$ 245,000
August 15, 2033*	260,000
	$ 505,000

Term Bond Due August 15, 2035

Redemption Date	Principal Amount
August 15, 2034	$ 270,000
August 15, 2035*	285,000
	$ 555,000

Term Bond Due August 15, 2037

Redemption Date	Principal Amount
August 15, 2036	$ 300,000
August 15, 2037*	315,000
	$ 615,000

Term Bond Due August 15, 2039

Redemption Date	Principal Amount
August 15, 2038	$ 330,000
August 15, 2039*	345,000
	$ 675,000

Term Bond Due August 15, 2041

Redemption Date	Principal Amount
August 15, 2040	$ 360,000
August 15, 2041*	370,000
	$ 730,000

Term Bond Due August 15, 2043

Redemption Date	Principal Amount
August 15, 2042	$ 385,000
August 15, 2043*	400,000
	$ 785,000

Term Bond Due August 15, 2052

Redemption Date	Principal Amount
August 15, 2044	$ 420,000
August 15, 2045	435,000
August 15, 2046	455,000
August 15, 2047	470,000
August 15, 2048	490,000
August 15, 2049	510,000
August 15, 2050	535,000
August 15, 2051	555,000
August 15, 2052*	580,000
	$ 4,450,000

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* Stated maturity.

The Paying Agent/Registrar will select by lot or by any other customary method that results in a random selection of the specific Term Certificates (or with respect to Term Certificates having a denomination in excess of $5,000, each $5,000 portion thereof) to be redeemed by mandatory redemption. The principal amount of Term Certificates required to be redeemed on any redemption date pursuant to the foregoing mandatory sinking fund redemption provisions hereof shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least forty-five (45) days prior to the mandatory sinking fund redemption date (i) shall have been acquired by the City and delivered to the Paying Agent/Registrar for cancellation or (ii) shall have been redeemed pursuant to the optional redemption provisions of the Ordinance and not previously credited to a mandatory sinking fund redemption.

Notice of Redemption . . . 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. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE 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.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee's 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 Financial Advisor and the City 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 the Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument 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 an S&P Global Ratings rating of "AA+." The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for such purchases on DTC's records. The ownership interest of each actual purchaser of each Obligation ("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 the Certificates, except in the event that use of the book-entry system described herein 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. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Obligation documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Certificates shall be sent to DTC. If less than all of the Certificates of a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. 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).

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

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

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

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

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

Effect of Termination of Book-Entry-Only System. In the event that the Book-Entry-Only System of the Certificates is discontinued, printed Certificates will be issued to the DTC Participants or the holder, as the case may be, and such Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - TRANSFER, EXCHANGE AND REGISTRATION" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City also covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State, or any other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the book-entry only system should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange or transfer. Certificate may be assigned by the execution of an assignment form on the respective 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 mail, first class, postage prepaid, to the new registered owner or his designee. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000, for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer.

All Certificates issued in any transfer or exchange of Certificates shall be delivered to the registered owners at the principal corporate trust office of the Paying Agent/Registrar or sent by United States mail, first class, postage prepaid, to the registered owners, and, upon the registration and delivery thereof, the same shall be the valid obligations of the City, evidencing the same obligation to pay, and entitled to the same benefits under the Ordinance, as the Certificates surrendered in such transfer or exchange.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

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 ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of Certificates 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.

DEFEASANCE . . . The City reserves the right to defease the Certificates in any manner now or hereafter allowed by law.

REMEDIES OF HOLDERS OF THE CERTIFICATES . . . The Ordinance does not provide for the appointment of a trustee to represent the interests 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, in the event of any such failure to perform, the registered owners would be responsible for the initiation and cost of any legal action to enforce performance of the Ordinance. Furthermore, the Ordinance does not establish specific events of default with respect to the Certificates and, under State law, there is no right to the acceleration of maturity of the Certificates upon the failure of the City to observe any covenant under the Ordinance. A registered owner of the Certificates could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Certificate; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the Certificates as it becomes due or perform other material terms and covenants contained in the Ordinance. However, the enforcement of any such remedy may be difficult and time consuming and a registered owner could be required to enforce such remedy on a periodic basis.

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

In *Tooke*, the Court noted the enactment in 2005 of sections 271.151-160, 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 in certain circumstances." The Local Government Immunity Waiver Act covers municipalities and relates to contracts entered into by municipalities for providing goods or services to municipalities. The City is not aware of any Texas court construing the Local Government Immunity Waiver Act in the context of whether contractual undertakings by local governments that relate to their borrowing powers are contracts covered by the Local Government Immunity Waiver Act.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in considering municipal breach of contract cases, it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the common law and statutory guidance. Issues related to the applicability of governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

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

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

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USE OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources of Funds:		
Par Amount of Certificates		$ 9,995,000.00
Net Premium		274,875.65
	Total:	$ 10,269,875.65
Uses of Funds:		
Deposit to Project Fund		$ 10,000,000.00
Costs of Issuance(1)		112,277.22
Underwriter's Discount		157,598.43
	Total:	$ 10,269,875.65

(1) Includes legal fees of the City, financial advisory fees, rating agency fees, fees of the Paying Agent/Registrar, contingency and other costs of issuance.

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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 District is the responsibility of the Brazoria 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 District, in establishing their tax rolls and tax rates (see "TAX INFORMATION – DISTRICT 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. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

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

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

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

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

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

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – CITY APPLICATION OF PROPERTY TAX CODE" herein.

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. During the 2021 legislative session, the Texas Legislature adopted House Bill 1869. House Bill 1869 treats the ad valorem taxes levied to pay debt service on certain non-voted debt approved after September 1, 2021 as part of the maintenance and operations tax rate calculations. The result is that the tax levied for debt service on such non-voted debt will be subject to the maintenance and operations tax limitations described in this subcaption. The Certificates are not subject to the limitations imposed by House Bill 1869.

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

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

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

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

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases (See "– PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS".) 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.

PROPERTY ASSESSMENT AND TAX PAYMENT . . . Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST . . .Charges for penalty and interest on the unpaid balance of delinquent taxes are made as follows:

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action 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 Tax Code . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older and the disabled.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

Ad valorem taxes are not levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Brazoria County collects taxes for the City.

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

The City has adopted a tax abatement policy.

Tax Abatement Policy . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The initial abatement term is limited to seven years but may subsequently be extended. The amount of abatement is 100 percent or such amount as set by the City Council. Currently there are no companies that receive a tax abatement.

Table 1 - Valuation, Exemptions and General Obligation Debt

2021/2022 Market Valuation Established by Brazoria County Appraisal District (excluding totally exempt property)		$ 1,355,429,487
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	$ 15,122,245	
Homestead Cap Adjustment	16,719,887	
Abatements	2,485,971	
Disabled Persons	6,788,564	
Disabled Veterans	15,461,078	
Homestead Exemptions	20,264,651	
Over 65 Homestead Exemptions	72,717,514	
Pollution Control	108,740	149,668,650
2021/2022 Taxable Assessed Valuation		$ 1,205,760,837 (1)
General Obligation Debt (as of March 31, 2022):		
Presently Outstanding	$ 28,945,000 (2)	
The Certificates	9,995,000	$ 38,940,000
Less: Projected Interest & Sinking Fund Balance as of September 30, 2021		$ 398,159
Less: Self Supporting Water and Sewer System Debt Service		13,950,048
Less: Self Supporting Angleton Better Living Corporation Debt Service		4,434,952
Net General Obligation Debt Payable from Ad Valorem Taxes		$ 20,156,841
Ratio of Net General Obligation Debt to Taxable Assessed Valuation		1.67%

2022 Estimated Population - 22,000
Per Capita Taxable Assessed Valuation - $54,807
Per Capita Funded Debt - $916

(1) Certified Values from the Brazoria County Appraisal District includes an estimated $80,080,992 still under review by the Appraisal Review Board.
(2) Includes self-supported debt.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ending September 30,					
	2022		2021		2020	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 862,778,426	63.65%	$ 807,879,489	62.02%	$ 731,608,657	62.65%
Real, Residential, Multi-Family	64,536,607	4.76%	64,339,809	4.94%	54,000,041	4.62%
Real, Vacant Lots/Tracts	10,108,751	0.75%	10,971,463	0.84%	10,834,935	0.93%
Real, Acreage (Land Only)	15,305,863	1.13%	16,861,773	1.29%	16,309,007	1.40%
Real, Farm and Ranch Improvements	13,383,102	0.99%	10,910,055	0.84%	10,586,263	0.91%
Real, Commercial and Industrial	226,157,798	16.69%	235,043,201	18.04%	219,357,413	18.78%
Real, Oil, Gas & Other Mineral Reserves	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	36,843,060	2.72%	33,493,880	2.57%	24,879,580	2.13%
Tangible Personal, Commercial and Industrial	91,868,890	6.78%	89,714,450	6.89%	68,797,440	5.89%
Tangible Personal, Other	10,159,300	0.75%	9,690,110	0.74%	8,453,280	0.72%
Special Inventory	17,282,030	1.28%	16,628,950	1.28%	15,764,930	1.35%
Real, Inventory	7,005,660	0.52%	7,112,680	0.55%	7,201,720	0.62%
Total Appraised Value Before Exemptions	$ 1,355,429,487	100.00%	$ 1,302,645,860	100.00%	$ 1,167,793,266	100.00%
Less: Total Exemptions/Reductions	149,668,650		149,668,650		135,233,788	
Taxable Assessed Value	$ 1,205,760,837 (1)		$ 1,152,977,210		$ 1,032,559,478	

	Taxable Appraised Value for Fiscal Year Ending September 30,			
	2019		2018	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 695,940,772	61.30%	$ 668,687,845	61.29%
Real, Residential, Multi-Family	55,567,850	4.89%	53,476,229	4.90%
Real, Vacant Lots/Tracts	10,955,415	0.96%	10,913,154	1.00%
Real, Acreage (Land Only)	14,377,765	1.27%	14,205,031	1.30%
Real, Farm and Ranch Improvements	9,756,332	0.86%	8,253,634	0.76%
Real, Commercial and Industrial	224,005,781	19.73%	219,875,264	20.15%
Real, Oil, Gas & Other Mineral Reserves	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	23,409,230	2.06%	23,653,160	2.17%
Tangible Personal, Commercial and Industrial	70,067,030	6.17%	63,583,890	5.83%
Tangible Personal, Other	7,939,350	0.70%	6,706,300	0.61%
Special Inventory	7,144,930	0.63%	15,042,610	1.38%
Real, Inventory	16,169,730	1.42%	6,554,700	0.60%
Total Appraised Value Before Exemptions	$ 1,135,334,185	100.00%	$ 1,090,951,817	100.00%
Less: Total Exemptions/Reductions	126,530,427		129,912,236	
Taxable Assessed Value	$ 1,008,803,758		$ 961,039,581	

(1) Certified Values from the Brazoria County Appraisal District includes an estimated $80,080,992 still under review by the Appraisal Review Board.

NOTE: Valuations shown are certified taxable assessed values reported by the Brazoria County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year [(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2018	19,565	$ 961,039,581	$ 49,120	$ 22,690,000	2.36%	$1,160
2019	19,544	1,008,803,758	51,617	20,760,000	2.06%	1,062
2020	20,828	1,032,559,478	49,576	27,930,000	2.70%	1,341
2021	21,679	1,152,977,210	53,184	28,510,000	2.47%	1,315
2022	22,000	1,205,760,837 [(4)]	54,807	38,420,000	3.19%	1,746

(1) Source the City.
(2) As reported by the Brazoria County Appraisal District; subject to change during the ensuring year.
(3) Includes self-supporting debt.
(4) Certified Values from the Brazoria County Appraisal District includes an estimated $80,080,992 still under review by the Appraisal Review Board.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2018	$0.707598	$ 0.650289	$ 0.057309	$ 6,800,297	96.15%	99.49%
2019	0.697580	0.596457	0.101123	6,992,168	98.50%	99.44%
2020	0.697580	0.597618	0.099962	7,217,000	98.90%	98.90%
2021	0.665144	0.581479	0.083665	7,445,911	99.11%	100.43%
2022	0.633041	0.559185	0.073856	7,587,344	93.65% [(1)]	94.15% [(1)]

(1) Collections as of April 30, 2022.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2021/2022 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Union Pacific Railroad Company	Railroad	$ 15,277,340	1.27%
3M Company	Manufacturer	14,327,850	1.19%
Formosa Plastics Corp USA	Oil/Gas	14,281,380	1.18%
Texas New Mexico Power Co	Electric Utility	13,141,370	1.09%
Country Village Care Inc	Medical Facility	9,581,109	0.79%
Albion Premier Investment	Investment	9,209,360	0.76%
Summer House Apartments LTD	Apartments	9,000,000	0.75%
Braskem America Inc	Chemical	7,910,630	0.66%
Texas Angleton Ranch at 1400	Apartments	7,831,500	0.65%
Texas Rednezvous LP	Shopping Center	7,705,760	0.64%
		$ 108,266,299	8.98%

TABLE 6 - TAX ADEQUACY

2022 Principal and Interest Requirements	$ 1,210,924 (1)
$0.1036 Tax Rate at 97% Collection Produces	$ 1,211,693
Average Principal and Interest Requirements (2022-2052)	$ 1,083,650 (1)
$0.0927 Tax Rate at 97% Collection Produces	$ 1,084,208
Maximum Principal and Interest Requirements (2023)	$ 1,815,447 (1)
$0.1553 Tax Rate at 97% Collection Produces	$ 1,816,370

(1) Includes the Certificates, excludes self-supporting debt.

TABLE 7 - ESTIMATED OVERLAPPING DEBT

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

	Total G.O. Debt as of 3/31/2022	Estimated % Applicable	City's Overlapping G.O. Debt 3/31/2022
City of Angleton	$ 38,420,000 (1)	100.00%	$ 38,420,000 (1)
Angleton-Danbury Hosp. Dist.	1,425,000	39.34%	560,595
Angleton ISD	166,015,000	27.59%	45,803,539
Brazoria County	213,253,313	2.45%	5,224,706
Brazos River Harbor Nav. Dist. (Port Freeport)	68,490,000	4.14%	2,835,486
Total Direct and Overlapping Funded Debt			$ 92,844,326
Ratio of Direct and Overlapping funded Debt to Taxable Assessed Valuation			7.70%
Per Capita Overlapping Funded Debt			$ 4,220

(1) Includes the Certificates and self-supporting debt.

DEBT INFORMATION

TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Year Ended 9/30	Outstanding Debt Service (1)(2) Principal	Outstanding Debt Service (1)(2) Interest	The Certificates (3) Principal	The Certificates (3) Interest	Total Outstanding Debt Service	Less: Self-Supporting Water & Sewer Service	Less: Self-Supporting ABLC Debt Service	Total Funded Debt Service Requirements	% of Principal Retired
2022	$ 2,360,000	$ 850,651	$ -	$ -	$ 3,210,651	$ 1,445,283	$ 554,444	$ 1,210,924	
2023	2,200,000	803,163	85,000	519,123	3,607,286	1,257,880	533,959	1,815,447	
2024	2,130,000	732,321	165,000	439,863	3,467,183	1,227,023	426,223	1,813,937	
2025	2,100,000	665,246	170,000	429,963	3,365,208	1,231,973	425,048	1,708,187	
2026	1,960,000	602,091	185,000	419,763	3,166,853	1,057,543	408,348	1,700,962	27.84%
2027	1,810,000	542,562	195,000	408,663	2,956,224	1,057,289	259,548	1,639,387	
2028	1,845,000	483,071	205,000	398,913	2,931,983	1,058,648	248,623	1,624,712	
2029	1,625,000	428,104	215,000	388,663	2,656,766	853,781	242,773	1,560,212	
2030	1,635,000	378,229	225,000	377,913	2,616,141	842,781	231,998	1,541,362	
2031	1,650,000	332,954	235,000	366,663	2,584,616	830,431	227,023	1,527,162	51.48%
2032	1,560,000	292,041	245,000	354,913	2,451,954	722,281	222,773	1,506,900	
2033	1,570,000	250,891	260,000	342,663	2,423,554	714,981	218,466	1,490,107	
2034	1,590,000	207,591	270,000	329,663	2,397,254	711,725	214,104	1,471,425	
2035	1,545,000	163,441	285,000	316,163	2,309,604	712,269	209,741	1,387,594	
2036	1,300,000	123,912	300,000	301,913	2,025,825	746,763	205,345	1,073,717	73.37%
2037	1,310,000	88,071	315,000	286,913	1,999,983	740,140	200,915	1,058,928	
2038	1,280,000	52,441	330,000	271,163	1,933,604	742,881	152,250	1,038,473	
2039	875,000	24,406	345,000	257,963	1,502,369	750,056	149,350	602,963	
2040	290,000	10,300	360,000	244,163	904,463	153,850	146,450	604,163	
2041	150,000	4,500	370,000	229,763	754,263	154,500	-	599,763	87.16%
2042	-	-	385,000	214,963	599,963	-	-	599,963	
2043	-	-	400,000	199,563	599,563	-	-	599,563	
2044	-	-	420,000	183,563	603,563	-	-	603,563	
2045	-	-	435,000	166,238	601,238	-	-	601,238	
2046	-	-	455,000	148,294	603,294	-	-	603,294	92.30%
2047	-	-	470,000	129,525	599,525	-	-	599,525	
2048	-	-	490,000	110,138	600,138	-	-	600,138	
2049	-	-	510,000	89,925	599,925	-	-	599,925	
2050	-	-	535,000	68,888	603,888	-	-	603,888	
2051	-	-	555,000	46,819	601,819	-	-	601,819	98.58%
2052	-	-	580,000	23,925	603,925	-	-	603,925	100.00%
	$30,785,000	$ 7,035,986	$ 9,995,000	$ 8,066,635	$ 55,882,622	$ 17,012,078	$ 5,277,381	$ 33,593,163	

(1) "Outstanding Debt" does not include lease/purchase obligations.
(2) Includes self-supporting debt. See "TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT."
(3) Interest on the Certificates has been calculated at the rates stated on page 2 hereof.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

General Obligation Debt Service Requirements, Fiscal Year Ending 9/30/2022		$ 3,210,651
Interest and Sinking Fund, 9/30/2021	$ 398,159	
Budgeted Interest and Sinking Fund Tax Collections	959,899	
Budgeted Transfer from Water and Sewer Fund	1,298,774	
Budgeted Transfer from Angleton Better Living Corporation	441,473	
Budgeted Transfer from Other Source	305,063 (1)	
Interest Income	807	3,404,175
Estimated Balance, 9/30/2022		$ 193,524

(1) Transfer is from the Infrastructure Fund.

TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT

Revenues Available for Debt Service from Waterworks and Sewer System, Fiscal Year Ended 9/30/2021	$ 1,596,102	
Waterworks and Sewer System General Obligation Bond Requirements, Fiscal Year Ended 9/30/2022	1,445,283	(1)
Balance	$ 150,819	
Percentage of Water and Sewer System General Obligation Bonds Self-Supporting	100.00%	
Revenues Available for Debt Service from Angleton Better Living Corporation, Fiscal Year Ended 9/30/2021	$ 1,710,789	
Angleton Better Living Corporation General Obligation Bond Requirements, Fiscal Year Ended 9/30/2022	554,444	(1)
Balance	$ 1,156,345	
Percentage of Angleton Better Living Corporation General Obligation Bonds Self-Supporting	100.00%	

(1) The City treats certain ad valorem tax debt (general obligation bonds) issued for water and sewer and parks purposes as self-supporting from revenues of the City's water and sewer system or revenues received from the Angleton Better Living Corporation, respectively, based on a policy determination by City Council. The treatment of such ad valorem tax debt as self-supporting is subject to change.

TABLE 11 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued debt. Under State law, the City may issue certain obligations that are secured by ad valorem taxes without an election. Examples of such obligations include certificates of obligation, such as the Certificates, and tax anticipation notes.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates the potential issuance of additional general obligation debt within the next 12 months in an amount to be determined during the budget process.

TABLE 12 – OTHER OBLIGATIONS

The City currently has three fire truck lease agreements outstanding. The following is a summary of the annual requirements for these obligations:

Fiscal Year Ended	Principal	Interest
2022	$ 65,500	$ 6,144
2023	68,000	3,991
2024-2028	70,551	2,382
	$ 204,051	$ 12,517

PENSION FUND . . . The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City contributes to TMRS at an actuarially determined rate. Both the employees and the City make contributions monthly. For more detailed information concerning the retirement plan, see APPENDIX B – "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" – Note # IV-C.

OTHER POST-EMPLOYMENT BENEFITS . . . The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund (SDBF) and provides this coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death); retired employees are insured for $7,500. The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation 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 employee's entire careers. For more detailed information concerning the retirement plan, see APPENDIX B – "EXCERPTS FROM THE CITY'S ANNUAL FINANCIAL REPORT" – Note # IV-D. The City does not offer nor provide any other post-employment benefits.

FINANCIAL INFORMATION

TABLE 13 - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2021	2020	2019	2018	2017
Program Revenues:					
Charges for Services	$ 3,679,648	$ 3,222,406	$ 3,505,648	$ 3,650,620	$ 3,615,862
Operating Grants & Contributions	1,572,027	1,629,562	406,205	348,805	369,651
Capital Grants & Contributions	473,506	-	-	-	-
General Revenues:					
Property Taxes	7,571,262	7,280,581	6,980,985	6,762,268	6,262,123
Sales Tax	5,124,958	5,041,377	4,536,825	4,564,831	4,080,200
Franchise and Local Taxes	756,392	730,245	913,194	999,844	885,441
Investment Revenue	21,753	129,542	319,017	162,978	38,079
Other Revenues	318,360	696,762	404,775	340,490	317,862
Gain (Loss) on Sale of Capital Assets	-	-	3,393	13,738	31,351
Total Revenues	$ 19,517,906	$ 18,730,475	$ 17,070,042	$ 16,843,574	$ 15,600,569
Expenditures:					
General Administration	$ 5,918,372	$ 4,517,041	$ 2,196,981	$ 3,961,311	$ 3,978,210
Financial Administration	515,055	451,112	478,329	396,145	384,370
Public Safety	8,649,434	7,517,808	6,662,169	6,493,453	6,307,090
Community Services	3,938,278	4,506,510	5,087,321	3,627,459	5,323,569
Economic Development	457,432	333,061	1,532,189	305,001	290,154
Interest and Fiscal Agent Fees	575,163	356,011	401,541	432,601	185,034
Total Expenditures	$ 20,053,734	$ 17,681,543	$ 16,358,530	$ 15,215,970	$ 16,468,427
Change in Net Assets Before Transfer	(535,828)	1,048,932	711,512	1,627,604	(867,858)
Transfers	114,201	227,275	270,421	200,301	137,391
Change in Net Assets After Transfer	(421,627)	1,276,207	981,933	1,827,905	(730,467)
Net Assets - Beginning	25,895,620	24,619,413	23,637,480	21,809,575	22,540,042
Net Assets - End	$ 25,473,993	$ 25,895,620	$ 24,619,413	$ 23,637,480	$ 21,809,575

TABLE 13-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	For Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Revenues:					
Property Taxes	$ 6,590,804	$ 6,233,993	$ 5,974,095	$ 6,201,284	$ 5,591,836
Franchise and Local Taxes	594,063	628,500	695,227	706,355	666,830
Sales Tax	3,416,639	3,360,918	3,024,550	-	-
Industrial District Agreement	104,170	117,302	103,730	111,667	122,703
Permits, Licenses and Fees	685,324	379,284	233,144	261,259	269,354
Fines and Forfeitures	478,290	479,471	637,576	726,787	736,917
Charges for services	2,160,449	2,119,017	2,088,439	2,086,584	2,061,161
Intergovernmental	49,048	1,163,166	33,144	30,556	36,656
Investment Revenue	9,592	31,268	50,298	27,817	16,945
Miscellaneous Revenue	109,637	115,830	166,202	156,245	108,832
Total Revenues	$ 14,198,016	$ 14,628,749	$ 13,006,405	$ 10,308,554	$ 9,611,234
Expenditures:					
General Administration(1)	$ 3,996,292	$ 2,018,284	$ 1,478,815	$ 1,278,878	$ 1,842,609
Financial Administration	534,962	466,036	466,515	394,052	386,238
Public Safety	7,580,723	6,965,424	6,438,807	6,012,466	5,832,483
Community Services	3,565,174	4,650,311	4,416,159	2,872,144	2,909,604
Economic Development	187,050	100,496	169,788	92,796	84,185
Capital Outlay(2)	903,655	-	-	-	-
Debt Service	72,240	349,405	71,714	175,424	152,939
Total Expenditures	$ 16,840,096	$ 14,549,956	$ 13,041,798	$ 10,825,760	$ 11,208,058
Excess (Deficiency) of Revenues Over Expenditures	$ (2,642,080)	$ 78,793	$ (35,387)	$ (517,206)	$ (1,596,824)
Total Other Sources (Uses)	$ 484,539	$ 1,704,955	$ 624,396	$ 1,304,831	$ 1,028,554
Fund Balance, Beginning of Year	6,109,354	4,325,606	3,736,597	2,948,972	3,517,242
Fund Balance, End of Year	$ 3,951,813	$ 6,109,354	$ 4,325,606	$ 3,736,597	$ 2,948,972

(1) Includes $835,595 of CARES funding expenditures. Also includes approximately $110,000 of winter storm repairs, $335,000 of storm debris clean-up and $245,000 of legal fee expenditures.
(2) Represents bond proceeds from the Combination Tax and Revenue Certificates of Obligation, Series 2019. Proceeds from the issue in the amount of $973,164 were included in fund balance beginning in the fiscal year ending in 2020.

TABLE 14 - WATERWORKS AND SEWER SYSTEM CONDENSED STATEMENT OF OPERATIONS

The following condensed statements have been compiled using accounting principles customarily employed in the determination of net revenues available for debt service, and in all instances exclude depreciation, transfers, debt service payments and expenditures identified as capital.

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Revenues:					
Water Sales	$ 4,161,916	$ 4,075,699	$ 4,137,211	$ 4,193,373	$ 4,198,945
Sanitary Sewer Services	2,548,597	2,332,777	2,461,448	2,484,000	2,504,889
Other Service Fees	391,649	349,547	473,510	556,154	395,020
Investment Revenue	18,634	15,915	33,430	21,470	16,531
Total Revenues	$ 7,120,796	$ 6,773,938	$ 7,105,599	$ 7,254,997	$ 7,115,385
Operating Expenses:					
Water Distribution	$ 431,588	$ 352,523	$ 312,079	$ 333,063	$ 315,756
Water Plant Operations	923,696	631,043	757,291	612,177	626,028
Water Purchases (1)	2,154,960	2,174,040	2,049,840	2,003,850	1,931,580
Sewer	269,297	321,564	655,277	424,355	401,070
Collection Administration	1,745,153	1,720,341	1,772,733	1,638,393	1,669,693
Bad Debts	-	-	-	-	180,613
Total Operating Expenses	$ 5,524,694	$ 5,199,511	$ 5,547,220	$ 5,011,838	$ 5,124,740
Net Available for Debt Service	$ 1,596,102	$ 1,574,427	$ 1,558,379	$ 2,243,159	$ 1,990,645
Water Customers	6,874	6,827	6,694	6,917	6,911
Sewer Customers	6,567	6,335	6,450	6,662	6,653

(1) Represents payments to Brazosport Water Authority.

TABLE 15 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the Street Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. On October 1, 2000, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½% of 1%) for the benefit of Angleton Better Living Corporation, which is a Type B economic development corporation.

Fiscal Year Ended 9/30	Total Collected(1)	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2017	$ 4,080,200	65.51%	$ 0.4583	$ 211.63
2018	4,564,831	67.13%	0.4750	233.32
2019	4,536,825	64.88%	0.4497	232.13
2020	5,041,377	69.85%	0.4882	242.05
2021	5,124,958	71.01%	0.4963	246.06

(1) Total collected includes sales and use tax receipts for the benefit of the Angleton Better Living Corporation.

Financial Policies

Basis of Accounting . . . The accounts of the City are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

General Fund Balance . . . The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund Balance . . . The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

Special Revenue Fund . . . Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted to expenditures for specified purposes.

Capital Projects Fund . . . Capital Projects Funds are used to account for the financial resources which are to be used for the acquisition or construction of major capital facilities. The City's capital projects fund was controlling bond proceeds, which were for the construction of sanitary sewer system improvements. This fund was closed with the completion of a major rehabilitation project during fiscal 1997.

Budgetary Procedures . . . Thirty days prior to adoption of a formal budget, the City Administrator files with the City Secretary a proposed operating budget for the year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. A public hearing is conducted to obtain taxpayers' comments. Prior to October 1, the budget is adopted and legally enacted through passage of an ordinance.

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

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 Texas law, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) 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 (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (8) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of ninety (90) days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two (2) years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below. Texas law also permits the City to invest bond proceeds in a guaranteed investment contract, subject to limitations as set forth in the Public Funds Investment Act, Texas Government Code, Chapter 2256.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two (2) 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 ten (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, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending value and fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period by the type of asset and fund type invested, (5) the maturity date of each separately invested asset that has a maturity date, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) 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) 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; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than ninety (90) days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict its investment in mutual funds in the aggregate to no more than 15 percent of its monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service, and to invest no portion of bond proceeds, reserves and funds held for debt service, in mutual funds; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

TABLE 16 - CURRENT INVESTMENTS

As of March 31, 2022, the City's investable funds were invested in the following categories:

Description	Percent of Total	Book Value
Tex Pool	14.79%	$ 3,782,368
Lonestar	25.73%	6,581,644
Tex STAR	19.76%	5,052,776
Certificates of Deposit	4.11%	1,051,059
First State Bank	34.70%	8,876,503
Chase	0.89%	226,550
Texas Gulf Bank	0.02%	6,187
Total	100.00%	$25,577,086

TexPool is a local government investment pool under the control of the Texas Comptroller of Public Accounts. Investment management and customer service are outsourced by the Comptroller. The pool's investment objectives include achieving a stable net asset value of $1.00 per share. Daily investment or redemption of funds is allowed by the participants.

TexSTAR is a local government investment pool for whom First Southwest Asset Management, Inc., an affiliate of First Southwest Company, LLC, provides customer service and marketing for the pool. TexSTAR currently maintains an "AAAm" rating from Standard & Poor’s and has an investment objective of achieving and maintaining a stable net asset value of $1.00 per share. Daily investments or redemptions of funds is allowed by the participants.

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TAX MATTERS

The following discussion of certain federal income tax considerations is for general information only and is not tax advice. Each prospective purchaser of the Certificates should consult its own tax advisor as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

TAX EXEMPTION

In the opinion of Bracewell LLP, Bond Counsel, under existing law, interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended (the "Code"), and is not a specific preference item for purposes of the alternative minimum tax.

The Code imposes a number of requirements that must be satisfied for interest on state or local obligations, such as the Certificates, to be excludable from gross income for federal income tax purposes. These requirements include limitations on the use of bond proceeds and the source of repayment of bonds, limitations on the investment of bond proceeds prior to expenditure, a requirement that excess arbitrage earned on the investment of bond proceeds be paid periodically to the United States and a requirement that the issuer file an information report with the Internal Revenue Service (the "Service"). The City has covenanted in the Ordinance that it will comply with these requirements.

Bond Counsel's opinion will assume continuing compliance with the covenants of the Ordinance pertaining to those sections of the Code that affect the excludability of interest on the Certificates from gross income for federal income tax purposes and, in addition, will rely on representations by the City and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the City and such parties, which Bond Counsel has not independently verified. If the City fails to comply with the covenants in the Ordinance or if the foregoing representations are determined to be inaccurate or incomplete, interest on the Certificates could become includable in gross income from the date of delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, Bond Counsel will express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership or disposition of, the Certificates. Certain actions may be taken or omitted subject to the terms and conditions set forth in the Ordinance upon the advice or with the approving opinion of Bond Counsel. Bond Counsel will express no opinion with respect to Bond Counsel's ability to render an opinion that such actions, if taken or omitted, will not adversely affect the excludability of interest of the Certificates from gross income for federal income tax purposes.

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 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 as to 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 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, regardless of the ultimate outcome of the audit.

COLLATERAL TAX CONSEQUENCES

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates. These categories of prospective purchasers should consult their own tax advisors as to the applicability of these consequences. Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE PREMIUM

The issue price of a portion of the Certificates exceeds the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Certificate in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Certificate in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Certificate by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Certificate that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Certificate) is determined using the yield to maturity on the Premium Certificate based on the initial offering price of such Premium Certificate.

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

TAX ACCOUNTING TREATMENT OF ORIGINAL ISSUE DISCOUNT

The issue price of a portion of the Certificates is less than the stated redemption price payable at maturity of such Certificates (the "OID Certificates"). In such case, the difference between (i) the amount payable at the maturity of each OID Certificate, and (ii) the initial offering price to the public of such OID Certificate constitutes original issue discount with respect to such OID Certificate in the hands of any owner who has purchased such OID Certificate in the initial public offering of the Certificates. Generally, such initial owner is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such OID Certificate equal to that portion of the amount of such original issue discount allocable to the period that such OID Certificate continues to be owned by such owner. Because original issue discount is treated as interest for federal income tax purposes, the discussions regarding interest on the Certificates under the captions "TAX MATTERS – TAX EXEMPTION" and "TAX MATTERS – ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS – COLLATERAL TAX CONSEQUENCES" and "—TAX LEGISLATIVE CHANGES" generally apply and should be considered in connection with the discussion in this portion of the Official Statement.

In the event of the redemption, sale or other taxable disposition of such OID Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such OID Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such OID Certificate was held by such initial owner) is includable in gross income.

The foregoing discussion assumes that (i) the Underwriter has purchased the Certificates for contemporaneous sale to the public and (ii) all of the OID Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the OID Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each OID Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such OID 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 (i) 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 (ii) the amounts payable as current interest during such accrual period on such Certificate.

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

TAX LEGISLATIVE CHANGES

Current law may change so as to directly or indirectly reduce or eliminate the benefit of the excludability of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation, whether or not enacted, could also affect the value and liquidity of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any recently-enacted, proposed, pending or future legislation.

OTHER INFORMATION

CERTIFICATION OF THE OFFICIAL STATEMENT

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

NO-LITIGATION CERTIFICATE

The City will furnish the Initial Purchaser a certificate, dated as of the date of delivery of the Certificates, executed by an appropriate official of the City, to the effect that no litigation of any nature is then pending or threatened in any court, restraining or enjoining the issuance or delivery of the Certificates; affecting the provisions made for the payment of or security for the Certificates; in any manner questioning the authority or proceeding for the issuance, execution or delivery of the Certificates; or affecting the validity of the Certificates.

RATINGS

The Certificates and presently outstanding tax supported debt of the City are rated "AA-" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of the company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

SEVERE WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land located in this area is susceptible to high winds, heavy rain and flooding caused by hurricanes, tropical storms, and other tropical disturbances. Since 2015, the greater Houston area, including the City, has experienced approximately four storms exceeding a 0.2% probability (i.e., "500-year flood" event). Several of these storms, including Hurricane Harvey, resulted in damages to City facilities, and also resulted in damages to residential and commercial properties in the City which comprise the City’s ad valorem tax base.

From February 12-19, 2021, the State experienced a severe winter storm ("Winter Storm Uri") which included prolonged freezing temperatures, heavy snow and freezing rains statewide. Winter Storm Uri led to power outages and potable and non-potable water shortages in many areas of the State, including the City. The federal government issued a Major Disaster Declaration for the State and has included federal funding for emergency protective measures. The City did not sustain material damage to its infrastructure during Winter Storm Uri, but the City cannot predict the impact of future winter weather events.

If a future weather event significantly damaged all or part of the properties comprising the tax base within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the City’s tax rate. There can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or that property owners will even carry flood or other casualty insurance), 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 improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a lengthy period in which assessed values within the City could be adversely affected.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law.

The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Under executive orders in effect as of the date of the Official Statement, there are no COVID-19-related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address and mitigate the potential impacts of the Pandemic upon the City. While the City has experienced growth in its taxable assessed valuation and increase in sales tax receipts during the Pandemic, a continuation of the Pandemic and the economic impact of the Pandemic could, in the future, reduce or negatively affect property values within the City. See "APPENDIX B – EXCERPTS FROM THE ANNUAL FINANCIAL REPORT." 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. See "AD VALOREM TAX PROCEDURES" herein.

CYBERSECURITY

The City, like other political subdivisions in the State, utilizes technology in conducting its operations. As a user of technology, the City potentially faces cybersecurity threats (e.g., hacking, phishing, viruses, malware and ransomware) on its technology systems. Accordingly, the City may be the target of a cyber-attack on its technology systems that could result in adverse consequences to the City. The City employs a multi-layered approach to combating cybersecurity threats. While the City deploys layered technologies and requires employees to receive cybersecurity training, as required by State law, among other efforts, cybersecurity breaches could cause material disruptions to the City's finances or operations. The costs of remedying such breaches or protecting against future cyber-attacks could be substantial and there is no assurance that these costs will be covered by insurance. Further, cybersecurity breaches could expose the City to litigation and other legal risks, which could cause the City to incur other costs related to such legal claims or proceedings.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

The sale of the Certificates has not been registered under the Federal Securities Act of 1933, as amended, in reliance upon the exemption provided thereunder by Section 3(a)(2); and the 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 jurisdiction. The City assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which the Certificates 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 provisions.

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - 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 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.

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LEGAL MATTERS

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering or an opinion as to legality by Bracewell LLP, Houston, Texas, Bond Counsel for the City.

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

In its capacity as Bond Counsel, Bracewell LLP, Houston, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Certificates in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein.

The legal fee to be paid to Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. 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.

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

The financial data and other information contained herein have been obtained from City records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and resolutions contained in this Official Statement are made subject to all of the provisions of such statutes, documents 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.

AUDITED FINANCIAL STATEMENTS

Belt Harris Pechacek, LLLP, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Belt Harris Pechacek, LLLP relating to the City's financial statements for the fiscal year ended September 30, 2021 is included in this Official Statement in APPENDIX B; however, Belt Harris Pechacek, LLLP, has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement, and has not been asked to consent to the inclusion of its report, or otherwise be associated with this Official Statement.

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 for so long as 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 ("MSRB") in an electronic format as prescribed by the MSRB. Information will be available free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

ANNUAL REPORTS . . . The City shall provide annually to the MSRB, (i) within six (6) months after the end of each Fiscal Year of the City ending in or after 2022, financial information and operating data with respect to the City of the general type included in the Official Statement under Tables 1 through 6 and Tables 8 through 16, and including financial statements of the City if audited financial statements of the City are then available, and (ii) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded Fiscal Year, or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such financial statements becomes available.

The City may provide updated information in full text or may incorporate by reference documents available on EMMA of filed with the U.S. Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, the City must provide updated information by the last day of March in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Obligations: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Obligations, or other material events affecting the tax status of the Obligations; (7) modifications to rights of holders of the Obligations, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Obligations, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "ANNUAL REPORTS" and any notices of material events in accordance with this section.

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. As used in this section, the term "Financial Obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that "Financial Obligation" shall not include municipal securities as to which a final official statement (as defined in 15c2-12 Rule) has been provided to the MSRB consistent with the Rule. The City intends the words used in the above clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018 (the "2018 Release") and any further written guidance provided by the SEC or its staff with respect to the amendments to the Rule effected by the 2018 Release.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of 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 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 Certificates may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of Certificates. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "ANNUAL REPORTS" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City has not failed to comply in any material respect with its continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

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FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

The Initial Purchaser has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of $10,112,277.22, (representing the principal amount of the Certificates, plus a net original issue premium of $274,875.65, less an underwriting discount of $157,598.43). The Initial Purchaser 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 Initial Purchaser and other dealers depositing 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 Initial Purchaser.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

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 reoffering of the Certificates by the Initial Purchaser.

/s/ Jason Perez
Mayor
City of Angleton, Texas

ATTEST:

/s/Frances Aguilar
City Secretary

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

THE CITY

General Information Regarding the City

The City of Angleton, the county seat of Brazoria County, is approximately 45 miles south of Houston and 17 miles north of Freeport. The City encompasses some ten square miles and has 27.6 square miles within its extra-territorial jurisdiction ("ETJ").

Population

Estimated Population 2017	Estimated Population 2018	Estimated Population 2019	Estimated Population 2020	Estimated Population 2021
19,280	19,565	19,544	20,828	21,679

Management of the City

The City is a political subdivision incorporated through the State of Texas operating under a home rule charter which was originally adopted in 1967. The charter, which provides for a Mayor-Council-Administrator form of government, was most recently revised and amended on May 6, 1989.

The mayor and five councilmembers are elected for staggered two-year terms. The City Administrator acts as the chief administrative officer, overseeing departmental operations and implementing the policies and directives of the City Council.

The City provides a number of services including: Providing water, sanitary sewer collection and treatment, police (one station and 26 officers), fire (a full-time fire marshall that oversees a volunteer fire department with four fire trucks, a bucket truck, a tanker and a rescue unit), maintaining streets and drainage, animal control, code enforcement and parks.

Industry and Business

The primary economic activities of the area include chemical manufacturing, biomedical, electronics, commercial fishing and agriculture.

Top Area Employers

The following are the major employers located within Brazoria County:

Company	Type	Estimated Employees
Dow Chemical	Chemical	3,508
Alvin ISD	Education	3,274
Pearland ISD	Education	2,675
Texas Dept. of Criminal Justice	Criminal Justice	2,409
Brazosport ISD	Education	1,829
Wood Group	Contractor	1,800
Brazoria County	Government	1,414
Olin Corporation	Chemical	1,280
Performance Contractors	Contractor	1,200
Phillips 66	Refining	1,071

Transportation and Utilities

The City is served directly by Union Pacific Railroad, with reciprocal switching agreements with other railroads in the area, and is also served by two national bus lines. Commercial air service is afforded by the George Bush Houston Intercontinental Airport, Houston Hobby Airport and Brazoria County Airport, approximately 75 miles, 45 miles and 5 miles from the City, respectively.

State Highway 288 is a four-lane limited access highway that links Angleton north to Houston and south to the Port of Freeport, an international deepwater port with direct connections to inland rail and barge transportation systems. The City is also traversed by State Highways 35, 523 and 288B.

Electricity is supplied by Texas-New Mexico Power Company, natural gas by Centerpoint Energy and telephone service by AT&T. The City supplies potable water from water wells and a water supply agreement with Brazosport Water Authority and also provides a wastewater collection and treatment facility.

ECONOMIC INITIATIVES

ECONOMIC DEVELOPMENT DEPARTMENT - The City has an economic development department that is responsible for economic development city-wide, including coordinating with county-wide economic development efforts.

ENTERPRISE ZONE - The City has established an enterprise zone consisting of ten square miles of which 2.9 square miles are within City limits and 7.1 square miles are in the City's ETJ. The enterprise zone was established pursuant to the Texas Enterprise Zone Act, Tex. Rev. Civ. Stat. Ann. Art. 5190.7 (Vernon's Supp. 1988), which was originally enacted in 1983 and amended in 1987.

The financial incentive offered to the companies participating in the enterprise zone is in the form of a $2,000 rebate on sales taxes paid while constructing new facilities or adding capital equipment for every job created.

EDUCATION AND HEALTH CARE

The Angleton Independent School District serves the students of the City. The District operates five elementary schools, two middle schools and a high school.

Higher education facilities in the area include Brazosport Junior College, Alvin Junior College, University of Houston Clear Lake, University of Texas Medical Branch, Houston Baptist, Prairie View A&M, Rice, South Texas College of Law and Texas Southern University.

Angleton is served by the full-service Angleton-Danbury General Hospital. The hospital includes 50 medical/surgical beds, 8 obstetrical beds and 6 intensive care beds.

THE COUNTY

Brazoria County came into existence in 1836 from the Municipality of Brazoria. It is a Gulf Coast county comprising most of the Brazoria Metropolitan Statistical Area. The economy is based on petroleum, chemicals, fishing, tourism and agriculture. The principal sources of agricultural income are rice, sorghums, and livestock.

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APPENDIX B

EXCERPTS FROM THE

CITY OF ANGLETON, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the City of Angleton, Texas Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and
City Council Members of the
City of Angleton, Texas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Angleton, Texas (the "City"), as of and for the year ended September 30, 2021, 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.

Auditors' 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. 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 auditors' 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 City'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 City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2021, 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, schedules of changes in net pension and total other postemployment benefits liabilities and related ratios, and schedules of contributions, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining statements and schedules, and consolidated sub-fund statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

The introductory section 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.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 17, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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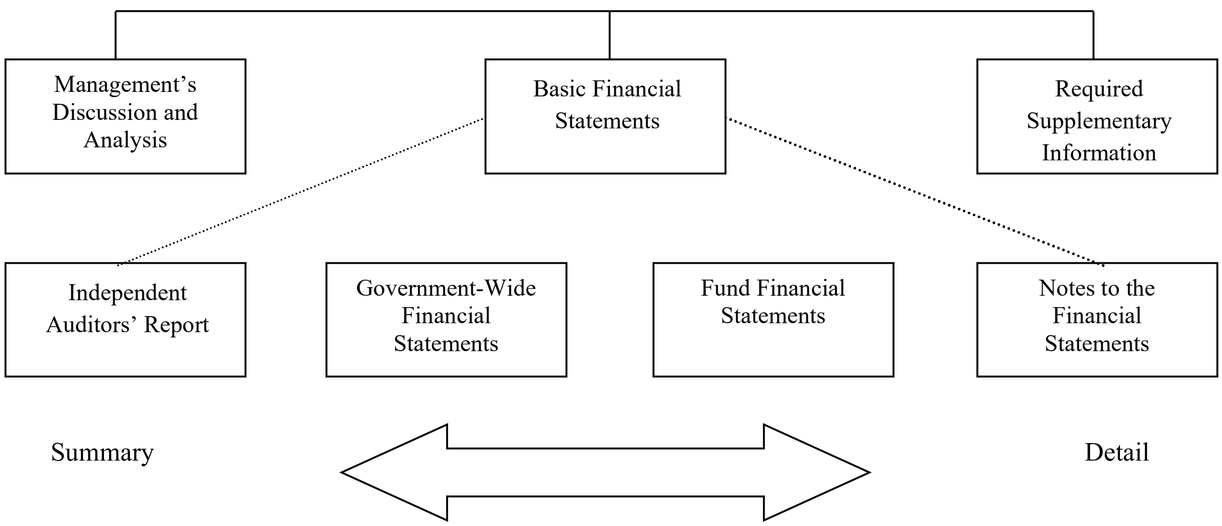
The purpose of the Management's Discussion and Analysis (MD&A) is to give the readers an objective and easily readable analysis of the financial activities of the City of Angleton, Texas (the "City") for the year ending September 30, 2021. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current year results with those of the prior year, and discusses the positive and negative aspects of that comparison. Please read the MD&A in conjunction with City's financial statements, which follow this section.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The City's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

<u>Government-Wide Statements</u>

The government-wide statements report information for the City as a whole. These statements include transactions and balances relating to all assets, including infrastructure capital assets. These statements are designed to provide information about cost of services, operating results, and financial position of the City as an economic entity. The Statement of Net Position and the Statement of Activities, which appear first in the City's financial statements, report information on the City's activities that enable the reader to understand the financial condition of the City. These statements are prepared using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all of the City's assets, liabilities, and deferred outflows/inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other nonfinancial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The Statement of Activities presents information showing how the City's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using the accrual method rather than modified accrual that is used in the fund level statements.

The Statement of Net Position and the Statement of Activities divide the City's financials into two classes of activities:

1. *Governmental Activities* – Most of the City's basic services are reported here including general administration, financial administration, public safety (municipal court, police, animal control, fire, and code enforcement), community services (streets, parks and recreation, and sanitation) and economic development. Interest payments on the City's debt are also reported here. Sales tax, property tax, franchise fees, municipal court fines, and permit fees finance most of these activities.

2. *Business-Type Activities* – Services involving a fee for those services are reported here. These services include the City's water distribution and wastewater collection/treatment.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City. They are usually segregated for specific activities or objectives. The City uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of City funds are governmental and proprietary.

Governmental Funds

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

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

The City maintains 26 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, C.O. Series 2018 fund, C.O. Series 2020 fund, American Rescue Plan fund, and the Angleton Better Living fund. These funds are considered to be major funds for reporting purposes with the exception of the debt service fund. The debt service fund did not meet the technical criteria for presentation as a major fund but the City has elected to present it as major due to its significance.

The City adopts an annual appropriated budget for its general fund, debt service fund, and each of the special revenue funds. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution and wastewater collection/treatment. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

The City also uses an internal service fund to account for unemployment costs. This internal service fund has been included within governmental activities in the government-wide financial statements.

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and Angleton Better Living fund, schedules of changes in net pension and total other postemployment benefits liability and related ratios, schedule of the City's proportionate share of the net pension liability, and schedules of contributions for the City's pension plans. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. For the City, assets and deferred outflows of resources exceed liabilities and deferred inflows by $39,080,966 as of September 30, 2021. A portion of the City's net position (76%) reflects its investment in capital assets (e.g., land, building, equipment, improvements, construction in progress, and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following table reflects the condensed Statement of Net Position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Current and other assets	$ 21,816,947	$ 19,181,232	$ 6,265,748	$ 10,740,303	$ 28,082,695	$ 29,921,535
Capital assets, net	24,578,947	23,579,120	24,402,917	21,132,404	48,981,864	44,711,524
Total Assets	46,395,894	42,760,352	30,668,665	31,872,707	77,064,559	74,633,059
Deferred outflows - pensions	720,703	707,757	128,673	130,870	849,376	838,627
Deferred outflows - OPEB	92,401	55,076	17,379	10,551	109,780	65,627
Deferred charge on refunding	28,226	37,047	42,169	55,179	70,395	92,226
Total Deferred Outflows of Resources	841,330	799,880	188,221	196,600	1,029,551	996,480
Long-term liabilities	17,060,062	15,352,606	16,478,794	17,778,127	33,538,856	33,130,733
Other liabilities	3,932,183	1,426,366	970,217	924,270	4,902,400	2,350,636
Total Liabilities	20,992,245	16,778,972	17,449,011	18,702,397	38,441,256	35,481,369
Deferred inflows - pensions	755,836	865,034	156,578	178,104	912,414	1,043,138
Deferred inflows - OPEB	15,150	20,606	2,459	3,460	17,609	24,066
Total Deferred Inflows of Resources	770,986	885,640	159,037	181,564	930,023	1,067,204
Net Position:						
Net investment in capital assets	18,202,275	17,367,337	11,354,144	10,382,142	29,556,419	27,749,479
Restricted	5,941,631	7,258,990	1,002,060	798,211	6,943,691	8,057,201
Unrestricted	1,330,087	1,269,293	892,634	2,004,993	2,222,721	3,274,286
Total Net Position	$ 25,473,993	$ 25,895,620	$ 13,248,838	$ 13,185,346	$ 38,722,831	$ 39,080,966

A portion of the primary government's net position, $6,943,691 or 18%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, $2,222,721 or 6%, may be used to meet the City's ongoing obligation to citizens and creditors.

There was a decrease in total net position of $358,135 from prior year. This decrease in total net position is primarily due to an increase in other liabilities unearned grant revenue of $2,407,364 net of a decrease in deferred inflows of $137,181 related to pension/OPEB balances, an increase in deferred outflows of $33,071 from pension/OPEB balances and refunding differences, and an increase in non-bond proceed funding of capital asset additions of $1,881,006.

Statement of Activities

The following table provides a summary of the City's changes in net position:

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenues						
Program revenues:						
Charges for services	$ 3,679,648	$ 3,222,406	$ 7,102,162	$ 7,072,488	$ 10,781,810	$ 10,294,894
Operating grants and contributions	1,572,027	1,629,562	-	-	1,572,027	1,629,562
Capital grants and contributions	473,506	-	-	-	473,506	-
General revenues:						
Property taxes	7,571,262	7,280,581	-	-	7,571,262	7,280,581
Sales taxes	5,124,958	5,041,377	-	-	5,124,958	5,041,377
Franchise fees and local taxes	756,392	730,245	-	-	756,392	730,245
Investment revenue	21,753	129,542	10,027	96,019	31,780	225,561
Other revenues	318,360	696,762	-	-	318,360	696,762
Total Revenues	19,517,906	18,730,475	7,112,189	7,168,507	26,630,095	25,898,982
Expenses						
General administration	5,918,372	4,517,041	-	-	5,918,372	4,517,041
Financial administration	515,055	451,112	-	-	515,055	451,112
Public safety	8,649,434	7,517,808	-	-	8,649,434	7,517,808
Community services	3,938,278	4,506,510	-	-	3,938,278	4,506,510
Economic development	457,432	333,061	-	-	457,432	333,061
Interest and fiscal agent fees	575,163	356,011	379,795	570,972	954,958	926,983
Water	-	-	5,340,498	4,938,383	5,340,498	4,938,383
Sewer	-	-	1,214,203	1,279,096	1,214,203	1,279,096
Total Expenses	20,053,734	17,681,543	6,934,496	6,788,451	26,988,230	24,469,994
Increase (Decrease) in Net Position Before Transfers	(535,828)	1,048,932	177,693	380,056	(358,135)	1,428,988
Transfers in (out)	114,201	227,275	(114,201)	(227,275)	-	-
Change in Net Position	(421,627)	1,276,207	63,492	152,781	(358,135)	1,428,988
Beginning net position	25,895,620	24,619,413	13,185,346	13,032,565	39,080,966	37,651,978
Ending Net Position	$ 25,473,993	$ 25,895,620	$ 13,248,838	$ 13,185,346	$ 38,722,831	$ 39,080,966

For the year, net revenues from governmental activities increased by $787,431 or 2%. The increase is mainly due to the contributions for City development and fire department capital assets along with increases of property taxes. Expenses from governmental activities increased by $2,372,191 or 4% mainly due to increases in general administration and public safety related to the equipment and supplies, and emergency management costs.

Revenues from business-type activities decreased by $56,318 mainly due to a decrease in investment revenues. Total expenses increased $146,045 mostly due to water expenses to personnel cost.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

The City's governmental funds reflect a combined fund balance of $17,797,639, a net decrease of $140,503 from the prior year. Of this combined fund balance, $67,273 is nonspendable for inventory and prepaids, $398,159 is restricted for debt service, $550,380 is restricted for economic development, $246,935 is restricted for special projects, and $12,700,825 is restricted for capital projects. Unassigned fund balance totaled $3,834,067 as of September 30, 2021.

Total revenues increased by $289,948 or 4% mostly due to an increase in miscellaneous revenues related to nonmajor governmental funds. Compared to the prior year, expenditures increased by $982,746 or 7% due mainly to the increases in expenditures for general administration and public safety.

The general fund is the chief operating fund of the City. At the end of the current year, the total fund balance was $3,951,813, a net decrease of $2,157,541 from the prior year. Expenditures increased by $2,290,140. General administration saw a significant increase over the prior year, mainly due to an increase in professional services, purchasing of equipment and supplies, and emergency management expenditures. Compared to the prior year, revenues decreased $430,733 due mainly to the Coronavirus Relief Fund grant monies received in the prior year. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance and total fund balance represent 23% and 24%, respectively, of total general fund expenditures.

The debt service fund had a total fund balance of $398,159, all of which is restricted for the payment of principal and interest on the City's outstanding long-term debt. The net decrease in fund balance was $25,796.

The C.O. series 2018 fund has a total fund balance of $4,973,689, a decrease of $326,255 due to various street improvements.

The C.O. series 2020 fund has a total fund balance of $3,039,263 from the bonds issuance in fiscal year 2021.

The American Rescue Plan fund has a fund balance of $478. They City received advanced grant $2,407,364 which was unearned revenue as of September 30, 2021.

The Angleton Better Living fund has a total fund balance of $779,223 , a decrease of $108,799 from prior year as a result of transfers to other funds exceeding sales tax revenue.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

The City's amended budget planned for a decrease in budgeted general fund balance of $958,983. The City's actual revenues were less than budgeted revenues by $473,962 primarily due to less taxes and fines and forfeiture revenues than expected. Actual expenditures and other sources and uses remained consistent with budgeted amounts and experienced a positive budget variance of $111,590 and $68,469. The net result of the planned decrease in budgeted general fund balance and budgeted verses actual variances was $1,253,886. Overall, the general fund decreased by $2,157,541 after non budgeted capital outlay from prior year unspent certificates of obligations meant for capital outlay.

CAPITAL ASSETS

At year end, the City's governmental and business-type activities had invested $48,981,864, in a variety of capital assets and infrastructure (net of accumulated depreciation). This represents a net increase of $4,270,340 from the prior year.

More detailed information about the City's capital assets is presented in note III. C. to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City's governmental activities had total bonds and certificates of obligation outstanding of $13,572,532. Business-type activities had total bonds and certificates of obligation outstanding of $14,937,468 at year end. Of this total, $3,360,000 was general obligation bonds and $25,150,000 accounted for certificates of obligation.

More detailed information about the City's long-term liabilities is presented in note III. D. to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

City Council approved a $17,228,079 general fund budget for fiscal year 2021-2022, which is an increase of $2,375,083 compared to the fiscal year 2020-2021 budget. While the tax rate will not increase, the total tax levy will increase by $124,461 or 2% compared to the prior year's tax levy due to higher property values and new property added.

City Council approved a $3,086,879 debt service fund budget for fiscal year 2021-2022, which is an increase of $67,033 or 2% compared to the fiscal year 2020-2021 budget.

City Council approved a $7,691,748 utility fund budget for fiscal year 2021-2022, which is an increase of $296,574 or 4% compared to the fiscal year 2020-2021 budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to Chris Hill, Finance Director, City of Angleton, 121 S. Velasco, Angleton, TX, 77515; telephone 979.849.4364; or email at chill@angleton.tx.us.

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BASIC FINANCIAL STATEMENTS

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City of Angleton, Texas

STATEMENT OF NET POSITION

September 30, 2021

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	$ 19,116,635	$ 1,255,342	$ 20,371,977
Investments	699,484	349,742	1,049,226
Receivables, net	1,751,383	1,118,796	2,870,179
Due from other governments	82,914	-	82,914
Inventory	19,178	60,232	79,410
Prepaids	48,095	-	48,095
Restricted assets:			
Cash and cash equivalents	99,258	3,481,636	3,580,894
Total Current Assets	21,816,947	6,265,748	28,082,695
Capital assets:			
Nondepreciable capital assets	2,361,720	5,836,089	8,197,809
Net depreciable capital assets	22,217,227	18,566,828	40,784,055
Total Noncurrent Assets	24,578,947	24,402,917	48,981,864
Total Assets	46,395,894	30,668,665	77,064,559
Deferred outflows - pensions (TMRS)	686,701	128,673	815,374
Deferred outflows - pensions (TESRS)	34,002	-	34,002
Deferred outflows - OPEB	92,401	17,379	109,780
Deferred charge on refunding	28,226	42,169	70,395
Total Deferred Outflows of Resources	841,330	188,221	1,029,551
Liabilities			
Accounts payable and accrued liabilities	1,272,852	575,828	1,848,680
Unearned revenue	2,607,364	-	2,607,364
Accrued interest payable	51,967	54,914	106,881
Customer deposits	-	339,475	339,475
Total Current Liabilities	3,932,183	970,217	4,902,400
Noncurrent liabilities:			
Long-term liabilities due within one year	1,578,774	1,389,267	2,968,041
Long-term liabilities due in more than one year	15,481,288	15,089,527	30,570,815
Total Noncurrent Liabilities	17,060,062	16,478,794	33,538,856
Total Liabilities	20,992,245	17,449,011	38,441,256
Deferred Inflows of Resources			
Deferred inflows - pensions (TMRS)	747,602	156,578	904,180
Deferred inflows - pensions (TESRS)	8,234	-	8,234
Deferred inflows - OPEB	15,150	2,459	17,609
Total Deferred Inflows of Resources	770,986	159,037	930,023
Net Position			
Net investment in capital assets	18,202,275	11,354,144	29,556,419
Restricted for:			
Capital projects	4,751,665	1,002,060	5,753,725
Debt service	392,651	-	392,651
Economic development	550,380	-	550,380
Special projects	246,935	-	246,935
Unrestricted	1,330,087	892,634	2,222,721
Total Net Position	$ 25,473,993	$ 13,248,838	$ 38,722,831

See Notes to Financial Statements.

City of Angleton, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government				
Governmental Activities:				
General administration	$ 5,918,372	$ -	$ 767,858	$ -
Financial administration	515,055	-	-	-
Public safety	8,649,434	1,183,396	804,169	473,506
Community services	3,938,278	2,496,252	-	-
Economic development	457,432	-	-	-
Interest and fiscal agent fees	575,163	-	-	-
Total Governmental Activities	20,053,734	3,679,648	1,572,027	473,506
Business-Type Activities:				
Water	5,340,498	4,404,820	-	-
Sewer	1,214,203	2,697,342	-	-
Interest and fiscal agent fees	379,795	-	-	-
Total Business-Type Activities	6,934,496	7,102,162	-	-
Total Primary Government	$ 26,988,230	$ 10,781,810	$ 1,572,027	$ 473,506

General Revenues:

Property taxes

Sales taxes

Franchise fees and local taxes

Industrial district agreement

Investment revenue

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net Revenue (Expense) and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (5,150,514)	$ -	$ (5,150,514)
(515,055)	-	(515,055)
(6,188,363)	-	(6,188,363)
(1,442,026)	-	(1,442,026)
(457,432)	-	(457,432)
(575,163)	-	(575,163)
(14,328,553)	-	(14,328,553)
-	(935,678)	(935,678)
-	1,483,139	1,483,139
-	(379,795)	(379,795)
-	167,666	167,666
(14,328,553)	167,666	(14,160,887)
7,571,262	-	7,571,262
5,124,958	-	5,124,958
756,392	-	756,392
104,170	-	104,170
21,753	10,027	31,780
214,190	-	214,190
114,201	(114,201)	-
13,906,926	(104,174)	13,802,752
(421,627)	63,492	(358,135)
25,895,620	13,185,346	39,080,966
$ 25,473,993	$ 13,248,838	$ 38,722,831

City of Angleton, Texas

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Debt Service	C. O. Series 2018	C.O. Series 2020
Assets				
Cash and cash equivalents	$ 2,702,424	$ 420,047	$ 4,988,525	$ 3,039,263
Investments	349,742	-	-	-
Receivables, net	1,298,955	15,923	-	-
Inventory	142	-	-	-
Prepaids	48,095	-	-	-
Restricted cash and cash equivalents	99,258	-	-	-
Due from other governments	52,507	-	-	-
Due from other funds	620,248	-	-	-
Total Assets	$ 5,171,371	$ 435,970	$ 4,988,525	$ 3,039,263
Liabilities				
Accounts payable and accrued liabilities	$ 915,276	$ 21,888	$ 14,836	$ -
Unearned revenue	200,000	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	1,115,276	21,888	14,836	-
Deferred Inflows of Resources				
Unavailable revenue - property taxes	104,282	15,923	-	-
	104,282	15,923	-	-
Fund Balances				
Nonspendable:				
Inventory and prepaids	48,237	-	-	-
Restricted for:				
Debt service	-	398,159	-	-
Economic development	-	-	-	-
Special projects	-	-	-	-
Capital projects	69,509	-	4,973,689	3,039,263
Unassigned	3,834,067	-	-	-
Total Fund Balances	3,951,813	398,159	4,973,689	3,039,263
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 5,171,371	$ 435,970	$ 4,988,525	3,039,263

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Capital assets, nondepreciable

Capital assets, net depreciable

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.

An internal service fund is used by management to charge the costs of unemployment expenses to individual funds. The assets and liabilities of the internal service fund are included in the governmental activities in the Statement of Net Position.

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable

Noncurrent liabilities due in one year

Noncurrent liabilities due in more than one year

Net pension liability (TMRS)

Net pension liability (TESRS)

Total OPEB liability

Deferred outflows - pensions (TMRS)

Deferred outflows - pensions (TESRS)

Deferred outflows - OPEB

Deferred inflows - pensions (TMRS)

Deferred inflows - pensions (TESRS)

Deferred inflows - OPEB

Deferred charge on refunding

See Notes to Financial Statements.

Net Position of Governmental Activities

American Rescue Plan	Angleton Better Living	Nonmajor Governmental	Total Governmental Funds
$ 2,416,169	$ 1,102,402	$ 4,428,918	$ 19,097,748
-	-	349,742	699,484
-	309,508	126,997	1,751,383
-	-	19,036	19,178
-	-	-	48,095
-	-	-	99,258
-	-	30,407	82,914
-	-	-	620,248
$ 2,416,169	1,411,910	$ 4,955,100	$ 22,418,308
$ 8,327	$ 12,439	$ 300,086	$ 1,272,852
2,407,364	-	-	2,607,364
-	620,248	-	620,248
2,415,691	632,687	300,086	4,500,464
-	-	-	120,205
-	-	-	120,205
-	-	19,036	67,273
-	-	-	398,159
-	-	550,380	550,380
-	-	246,935	246,935
478	779,223	3,838,663	12,700,825
-	-	-	3,834,067
478	779,223	4,655,014	17,797,639
$ 2,416,169	$ 1,411,910	$ 4,955,100	
			2,361,720
			22,217,227
			120,205
			18,887
			(51,967)
			(1,578,774)
			(13,299,995)
			(1,613,983)
			(167,148)
			(400,162)
			686,701
			34,002
			92,401
			(747,602)
			(8,234)
			(15,150)
			28,226
			$ 25,473,993

City of Angleton, Texas

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

For the Year Ended September 30, 2021

	General	Debt Service	C. O. Series 2018	C. O. Series 2020
Revenues				
Property taxes	$ 6,590,804	$ 939,015	$ -	$ -
Franchise fees and local taxes	594,063	-	-	-
Sales taxes	3,416,639	-	-	-
Industrial district agreement	104,170	-	-	-
Permits, licenses, and fees	685,324	-	-	-
Fines and forfeitures	478,290	-	-	-
Charges for services	2,160,449	-	-	-
Intergovernmental	49,048	-	-	-
Investment revenue	9,592	814	-	1,047
Miscellaneous revenue	109,637	-	-	35,660
Total Revenues	14,198,016	939,829	-	36,707
Expenditures				
Current:				
General administration	3,996,292	-	-	-
Financial administration	534,962	-	-	-
Public safety	7,580,723	-	-	-
Community services	3,565,174	-	-	-
Economic development	187,050	-	-	-
Capital outlay	903,655	-	326,255	-
Debt service:				-
Principal	64,000	1,129,983	-	-
Interest and fiscal agent fees	8,240	471,431	-	-
Issuance costs	-	-	-	122,252
Total Expenditures	16,840,096	1,601,414	326,255	122,252
Excess (Deficiency) of Revenues Over (Under) Expenditures	(2,642,080)	(661,585)	(326,255)	(85,545)
Other Financing Sources (Uses)				
Transfers in	498,516	635,789	-	-
Transfers (out)	(50,034)	-	-	-
Bonds issued	-	-	-	2,925,000
Bonds premium	-	-	-	199,808
Sale of capital assets	36,057	-	-	-
Total Other Financing Sources (Uses)	484,539	635,789	-	3,124,808
Net Change in Fund Balances	(2,157,541)	(25,796)	(326,255)	3,039,263
Beginning fund balances	6,109,354	423,955	5,299,944	-
Ending Fund Balances	$ 3,951,813	$ 398,159	$ 4,973,689	$ 3,039,263

See Notes to Financial Statements.

American Rescue Plan	Angleton Better Living	Nonmajor Governmental	Total Governmental Funds
$ -	$ -	$ 21,394	$ 7,551,213
-	-	162,329	756,392
-	1,708,319	-	5,124,958
-	-	-	104,170
-	-	-	685,324
-	-	19,782	498,072
-	-	335,803	2,496,252
-	-	746,308	795,356
-	2,470	7,789	21,712
478	-	831,144	976,919
478	1,710,789	2,124,549	19,010,368
-	37,232	1,650,210	5,683,734
-	-	-	534,962
-	-	415,213	7,995,936
-	-	-	3,565,174
-	-	276,803	463,853
-	-	875,456	2,105,366
-	-	-	1,193,983
-	-	-	479,671
-	-	-	122,252
-	37,232	3,217,682	22,144,931
478	1,673,557	(1,093,133)	(3,134,563)
-	-	922,188	2,056,493
-	(1,782,356)	(109,902)	(1,942,292)
-	-	-	2,925,000
-	-	-	199,808
-	-	-	36,057
-	(1,782,356)	812,286	3,275,066
478	(108,799)	(280,847)	140,503
-	888,022	4,935,861	17,657,136
$ 478	$ 779,223	$ 4,655,014	$ 17,797,639

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City of Angleton, Texas

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

For the Year Ended September 30, 2021

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances - total governmental funds	$	140,503
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital additions		1,866,524
Contribution of capital assets		473,506
Net effect of disposals		(5,303)
Depreciation		(1,334,900)
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the funds.		20,049
The issuance of long-term debt (e.g., bonds, certificates of obligation, etc.) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued; whereas, these amounts are deferred and amortized in the Statement of Activities.		
Principal repayments		1,193,983
Bonds issued		(2,925,000)
Bond premium, net		(158,719)
Refunding loss		(8,821)
Accrued interest		(5,508)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(3,846)
Net pension liability (TESRS)		(57,451)
Net pension liability (TMRS)		328,507
Total OPEB liability		(84,930)
Deferred outflows - pensions (TMRS)		24,388
Deferred outflows - pensions (TESRS)		(11,442)
Deferred outflows - OPEB		37,325
Deferred inflows - pensions (TMRS)		117,299
Deferred inflows - pensions (TESRS)		(8,101)
Deferred inflows - OPEB		5,456
On behalf revenue - (TESRS)		5,144
Pension expense - (TESRS)		(5,144)
An internal service fund is used by management to charge the costs of unemployment costs to individual funds. The net revenue (expense) of the internal service fund is reported with governmental activities.		(25,146)
Change in Net Position of Governmental Activities	$	(421,627)

See Notes to Financial Statements.

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City of Angleton, Texas

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

September 30, 2021

		Business-Type Activities		Governmental Activities
		Utility		Internal Service
Assets				
Current assets:				
Cash and cash equivalents	$	1,255,342	$	18,887
Investments		349,742		-
Receivables, net		1,118,796		-
Inventory		60,232		-
Restricted cash and cash equivalents		3,481,636		-
Total Current Assets		6,265,748		18,887
Capital assets:				
Nondepreciable		5,836,089		-
Depreciable, net		18,566,828		-
Total Capital Assets (Net of Accumulated Depreciation)		24,402,917		-
Total Noncurrent Assets		24,402,917		-
Total Assets		30,668,665		18,887
Deferred Outflows of Resources				
Deferred outflows - pensions		128,673		-
Deferred outflows - OPEB		17,379		-
Deferred charge on refunding		42,169		-
Total Deferred Outflows of Resources		188,221		-
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities		575,828		-
Accrued interest payable		54,914		-
Customer deposits		339,475		-
Total Current Liabilities		970,217		-
Noncurrent liabilities:				
Long-term debt due within one year		1,389,267		-
Long-term debt due in more than one year		15,089,527		-
Total Noncurrent Liabilities		16,478,794		-
Total Liabilities		17,449,011		-
Deferred Inflows of Resources				
Deferred inflows - pensions		156,578		-
Deferred inflows - OPEB		2,459		-
Total Deferred Inflows of Resources		159,037		-
Net Position				
Net investment in capital assets		11,354,144		-
Restricted for capital projects		1,002,060		-
Unrestricted		892,634		18,887
Total Net Position	$	13,248,838	$	18,887

See Notes to Financial Statements.

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City of Angleton, Texas

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

For the Year Ended September 30, 2021

	Business-Type Activities	Governmental Activities
	Utility	Internal Service
Operating Revenues		
Water sales	$ 4,161,916	$ -
Sanitary sewer services	2,548,597	-
Other service fees	391,649	5,129
Total Operating Revenues	7,102,162	5,129
Operating Expenses		
Water distribution	431,588	-
Water plant operations	923,696	-
Water purchases	2,154,960	-
Sewer	269,297	-
Collection administration	1,745,153	-
Personnel services	-	30,316
Depreciation	1,038,614	-
Total Operating Expenses	6,563,308	30,316
Operating Income (Loss)	538,854	(25,187)
Nonoperating Revenues (Expenses)		
Investment revenue	10,027	41
Interest expense	(379,795)	-
Gain (loss) on sale of capital assets	8,607	-
Total Nonoperating Revenues (Expenses)	(361,161)	41
Income (Loss) Before Transfers	177,693	(25,146)
Transfers		
Transfers (out)	(114,201)	-
Total Transfers	(114,201)	-
Change in Net Position	63,492	(25,146)
Beginning net position	13,185,346	44,033
Ending Net Position	$ 13,248,838	$ 18,887

See Notes to Financial Statements.

City of Angleton, Texas

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (Page 1 of 2)
For the Year Ended September 30, 2021

	Business-Type Activities	Governmental Activities
	Utility	Internal Service
Cash Flows from Operating Activities		
Receipts from customers and users	$ 6,972,961	$ (25,187)
Payments to suppliers	(3,849,551)	-
Payments to employees	(1,738,422)	-
Net Cash Provided (Used) by Operating Activities	1,384,988	(25,187)
Cash Flows from Noncapital Financing Activities		
Transfers to other funds	(114,201)	-
Net Cash (Used) by Noncapital Financing Activities	(114,201)	-
Cash Flows from Capital and Related Financing Activities		
Acquisition and construction of capital assets	(4,309,127)	-
Gain (loss) on sale of capital assets	8,607	-
Principal paid on capital debt	(1,215,017)	-
Interest paid on capital debt	(379,795)	-
Net Cash (Used) by Capital and Related Financing Activities	(5,895,332)	-
Cash Flows from Investing Activities		
Purchase of investment	(2,220)	-
Interest received	10,027	41
Net Cash Provided by Investing Activities	7,807	41
Net (Decrease) in Cash and Cash Equivalents	(4,616,738)	(25,146)
Beginning cash and cash equivalents	9,353,716	44,033
Ending Cash and Cash Equivalents	$ 4,736,978	$ 18,887
Ending Cash and Cash Equivalents		
Unrestricted cash and cash equivalents	$ 1,255,342	$ 18,887
Restricted cash and cash equivalents	3,481,636	-
	$ 4,736,978	$ 18,887

City of Angleton, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2021

	Business-Type Activities	Governmental Activities
	Utility	Internal Service
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating income (loss)	$ 538,854	$ (25,187)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,038,614	-
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in Current Assets:		
Accounts receivable	(143,561)	-
Inventory	3,598	-
Deferred outflows - pensions	2,197	-
Deferred outflows - OPEB	(6,828)	-
Deferred charge on refunding	13,010	-
Increase (Decrease) in Current Liabilities:		
Accounts payable and accrued liabilities	31,587	-
Compensated absences	(1,895)	-
Deferred inflows - pensions	(21,526)	-
Deferred inflows - OPEB	(1,001)	-
Premium	(37,723)	-
Net pension liability	(60,284)	-
Total OPEB liability	15,586	-
Customer deposits	14,360	-
Net Cash Provided (Used) by Operating Activities	$ 1,384,988	$ (25,187)

See Notes to Financial Statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Angleton, Texas (the "City") was incorporated in 1912. The City has operated under a "Home Rule Charter" which provides for a Mayor-Council-Administrator form of government.

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

The City provides the following services: general administration, financial administration, public safety (municipal court, police, animal control, fire, and code enforcement), community services (streets, parks and recreation, swimming pool, and sanitation), economic development, water distribution, and wastewater collection/treatment.

The City is an independent political subdivision of the State of Texas (the "State") governed by an elected council and a mayor and is considered a primary government. As required by generally accepted accounting principles, these basic financial statements have been prepared based on considerations regarding the potential for inclusion of other entities, organizations, or functions as part of the City's financial reporting entity. The component units listed below, although legally separate, are considered part of the reporting entity. No other entities have been included in the City's reporting entity. Additionally, as the City is considered a primary government for financial reporting purposes, its activities are not considered a part of any other governmental or other type of reporting entity.

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

Blended Component Units

Angleton Better Living Corporation

Angleton Better Living Corporation, Inc. (the "Corporation") has been included in the reporting entity as a blended component unit. The Corporation is a governmental entity that promotes economic and community development in the City. The Corporation's Board of Directors is appointed by and serves at the discretion of City Council. The Corporation is primarily funded through a one-half cent sales tax approved by general election in 2001. City Council approval is required for the annual budget and the issuance of any debt. In the event of dissolution, any assets of the Corporation will be transferred to the City. Separate financial statements of the Corporation may be obtained from the Finance Department of the City.

Tax Increment Reinvestment Zone No. One

During fiscal year 2005, the City passed an ordinance creating a Tax Increment Reinvestment Zone No. One (TIRZ #1), in accordance with Section 311.005 of the Texas Tax Code, for the purpose of providing for the design and construction of water, wastewater, and roadway infrastructure improvements, in order to facilitate the development of new commercial properties. The TIRZ #1 includes participation by a developer and another governmental entity, the Angleton Drainage District. Under this arrangement, increases in property taxes will be utilized to pay for certain infrastructure costs. Such taxes are controlled by a board of directors managing the TIRZ #1 and accounted for as a special revenue fund with the City's financial oversight. This fund is holding monies to be remitted to the developer for payment of related debt when the related improvements are accepted by the City.

Tax Increment Reinvestment Zone No. Two

During fiscal year 2020, the City passed an ordinance creating Tax Increment Reinvestment Zone No. Two (TIRZ #2), also referred to as the Riverwood Ranch TIRZ, in accordance with Section 311.005 of the Texas Tax Code, for the purpose of promoting the redevelopment of the area. Increases in property taxes will be utilized for certain infrastructure costs. Such taxes are controlled by a board of directors who is responsible for the management and oversight of the TIRZ #2 in accordance with the project and financing plan. Tax deposits shall not commence until after January 1, 2021 and termination of the operation of TIRZ #2 shall occur on December 31, 2051, or at an earlier time designated by subsequent ordinance or when all project costs, other obligations, debt, and interest have been paid in full. There was no financial activity related to TIRZ #2 for fiscal year 2020.

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

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

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales taxes, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, financial administration, public safety, community services, and economic development. The general fund is always considered a major fund for reporting purposes.

The *debt service fund* is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the City. The primary source of revenue for debt service is local property taxes. The City has elected to present the debt service fund as a major fund for reporting purposes.

The *special revenue funds* are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue funds are considered nonmajor funds for reporting purposes except for the American Rescue Plan fund for pandemic assistant activity and Angleton Better Living fund for activity related to restricted sources for community capital projects, which are considered major funds for reporting purposes.

The *capital projects funds* are used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects funds are considered nonmajor funds for reporting purposes, except for the C.O. series 2018 fund and C.O. series 2020 fund, which are considered major funds for reporting purposes.

The City reports the following enterprise fund:

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

Additionally, the City reports the following fund type:

Internal service funds account for services provided to other departments of the City, or to other governments, on a cost reimbursement basis. The internal service fund is used to account for unemployment costs.

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, balances in statewide investment pools, and short-term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

The City maintains a pooled cash account. Each fund whose monies are deposited in the pooled cash account has equity therein, and interest earned on the investment of these monies is allocated based upon relative equity at the previous month end. Amounts on deposit in interest-bearing accounts and other investments are displayed on the combined balance sheet as "cash and cash equivalents". For cash management purposes, the City has a sweep arrangement with the bank to transfer cash balances to a money market mutual fund account each day. Cash in excess of current requirements is invested in various interest-bearing securities and disclosed as part of the City's investments.

2. Investments

Investments, except for certain investment pools, commercial paper, money market funds, and investment contracts, are reported at fair value. The investment pools operate in accordance with appropriate state laws and regulations and are reported at amortized cost. Money market funds, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations and commercial paper that have a remaining maturity of one year or less upon acquisition, are reported at amortized cost. Investments in nonparticipating interest earning contracts, such as certificates of deposit, are reported at cost.

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

Direct obligations of the U.S. Government or U.S. Government agencies
Fully collateralized certificates of deposit
Money market mutual funds that meet certain criteria
Bankers' acceptances
Statewide investment pools

3. Inventories and Prepaid Items

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

4. Restricted Assets

Restricted assets are either limited for use for specified purposes or are otherwise not available for payment of current operating expenses. The City's restricted assets consist of cash and investments resulting from the issuance of debt restricted to the purchase and/or construction of governmental and business-type activity capital assets.

5. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as projects are constructed. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years:

Asset Description	Estimated Useful Life
Buildings and improvements	10 to 40 years
Vehicles, equipment, and furnishings	5 to 15 years
Infrastructure	30 to 50 years
Water and sewer system	30 to 50 years

6. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

- Deferred outflows/inflows from pension/other postemployment benefits (OPEB) activities are amortized over the average of the expected service lives of pension/OPEB plan members, except for the net differences between the projected and actual investment earnings on the pension/OPEB plan assets, which are amortized over a period of five years.
- For employer pension/OPEB plan contributions that were made subsequent to the measurement date through the end of the City's fiscal year, the amount is deferred and recognized as a reduction to the net pension/OPEB liability during the measurement period in which the contributions were made.
- A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

At the fund level, the City has only one type of item, which 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 revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

7. Compensated Employee Absences

The City records a liability for the amount of unused vacation and other benefit time that has vested for each employee at year end. Time accumulated for sick leave is not included in this accrual as such time is only used for cause and is subject to forfeiture.

8. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of applicable bond premiums or discounts.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

Assets acquired under the terms of a capital lease are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the applicable fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

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

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

12. Estimates

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

13. Pensions

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

14. Other Postemployment Benefits

The City participates in a single-employer, unfunded, defined benefit group-term life insurance plan operated by TMRS known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Benefit payments and refunds are due and payable in accordance with the benefit terms. Information about the City's total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense is provided by TMRS from reports prepared by their consulting actuary.

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied during October of each year, are due upon receipt of the City's tax bill, and become delinquent if unpaid on February 1, with late fees assessed monthly. After June 30, any taxes still uncollected are subject to lawsuit for collection and additional charges to offset legal costs.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund and internal service fund are charges to customers for sales and services. The enterprise fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service fund include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted for governmental funds on a basis consistent with generally accepted accounting principles except for the capital projects funds, which adopt project length budgets. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the charter is the object and purpose stated in the approved budget. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were made for the year ended September 30, 2021.

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2021, the City had the following investments:

Investment Type	Fair Value	Weighted Average Maturity (Years)
Investment pools		
TexPool	$ 4,604,280	0.10
TexStar	3,935,315	0.12
Lone Star	6,954,230	0.13
Certificates of deposit	1,049,227	0.67
Total Fair Value	$ 16,543,052	
Portfolio weighted average maturity		0.14

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of year end, fair market values of pledged securities and FDIC coverage exceeded bank balances.

Credit risk. The City's investment policy limits investments in public fund investment pools rated as to investment quality not less than 'AAA' or 'AAA-m', or at an equivalent rating by at least one nationally recognized rating service. As of September 30, 2021, the City's investments in investment pools were rated 'AAAm' by Standard & Poor's.

TexPool

TexPool was established as a trust company with the Treasurer of the State as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor's rates TexPool 'AAAm'. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for review.

TexPool is an external investment pool measured at amortized cost. In order to meet the criteria to be recorded at amortized cost, TexPool pool must transact at a stable net asset value per share and maintain certain maturity, quality, liquidity, and diversification requirements within TexPool. TexPool transacts at a net asset value of $1.00 per share, has weighted average maturities of 60 days or less, and weighted average lives of 120 days or less. Investments held are highly rated by nationally recognized statistical rating organizations, have no more than five percent of portfolio with one issuer (excluding U.S. government securities), and can meet reasonably foreseeable redemptions. TexPool has a redemption notice period of one day and may redeem daily. TexPool may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national state of emergency that affects TexPool's liquidity.

TexSTAR

The Texas Short-Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors. JPMorgan Fleming Asset Management (USA), Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services, participant services, and marketing. JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Services, Inc., provide custodial, transfer agency, fund accounting, and depository services.

TexSTAR is measured at amortized cost. TexSTAR's strategy is to seek preservation of principal, liquidity, and current income through investment in a diversified portfolio of short-term marketable securities. The City has no unfunded commitments related to TexSTAR. TexSTAR has a redemption notice period of one day and may redeem daily. TexSTAR may only impose restrictions on redemptions in the event of a general suspension of trading on major securities markets, general banking moratorium, or national or state emergency that affects TexSTAR's liquidity.

Lone Star

Lone Star is a public funds investment pool organized under the authority of the Interlocal Cooperation Act of the Texas Government Code, Chapter 791, and the Public Funds Investment Act, Texas Government Code, Chapter 2256. Lone Star is sponsored by the Texas Association of School Boards. The Lone Star Board (the "Board") acts as trustee and is comprised of 11 members representing school districts that have adopted the investment agreement, including school board members, school administrators, and school business officials. The Board has entered into an agreement with First Public, LLC to act as administrator for Lone Star. Responsibilities of First Public include daily servicing of participants' accounts, negotiating contracts with investment advisors and other service providers, and performing related administrative services. Finally, Standard & Poor's rates Lone Star "AAAm". As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor's, as well as to the office of the Comptroller of Public Accounts for

B. Receivables

The following comprise receivable balances as of September 30, 2021:

	General	Debt Service	Angleton Better Living	Nonmajor Governmental	Utility	Total
Property taxes	$ 166,455	$ 25,668	$ -	$ -	$ -	$ 192,123
Other taxes	785,137	-	309,508	-	-	1,094,645
Intergovernmental	15,000	-	-	123,668	-	138,668
Accounts	397,018	-	-	3,329	1,616,764	2,017,111
Less allowance	(64,655)	(9,745)	-	-	(497,968)	(572,368)
Totals	$ 1,298,955	$ 15,923	309,508	$ 126,997	$ 1,118,796	$ 2,870,179

C. Capital Assets

A summary of changes in capital assets for governmental activities for the fiscal year ended September 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 1,495,840	$ -	$ -	$ 1,495,840
Construction in progress	527,211	1,496,419	(1,157,750)	865,880
Total capital assets not being depreciated	2,023,051	1,496,419	(1,157,750)	2,361,720
Other capital assets:				
Buildings and improvements	12,395,860	-	-	12,395,860
Equipment	11,665,581	2,001,361	(53,027)	13,613,915
Infrastructure	27,824,039	-	-	27,824,039
Total other capital assets	51,885,480	2,001,361	(53,027)	53,833,814
Less accumulated depreciation for:				
Buildings and improvements	(4,787,643)	(272,144)	-	(5,059,787)
Equipment	(9,154,922)	(637,343)	47,724	(9,744,541)
Infrastructure	(16,386,846)	(425,413)	-	(16,812,259)
Total accumulated depreciation	(30,329,411)	(1,334,900)	47,724	(31,616,587)
Other capital assets, net	21,556,069	666,461	(5,303)	22,217,227
Governmental Activities Capital Assets, Net	$ 23,579,120	$ 2,162,880	$ (1,163,053)	24,578,947
		Less associated debt		(14,373,094)
		Plus unspent bond proceeds		7,968,196
		Plus deferred charge on refunding		28,226
		Net Investment in Capital Assets		$ 18,202,275

Depreciation was charged to governmental functions as follows:

General administration	$ 272,144
Public safety	637,343
Community services	425,413
Total Governmental Activities Depreciation Expense	$ 1,334,900

The following is a summary of changes in capital assets for business-type activities for the fiscal year ended September 30, 2021:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Construction in progress	$ 2,092,217	$ 3,743,872	$ -	$ 5,836,089
Total capital assets not being depreciated	2,092,217	3,743,872	-	5,836,089
Other capital assets:				
Buildings and other improvements	319,665	-	-	319,665
Equipment	2,680,105	178,186	-	2,858,291
Infrastructure	47,329,104	387,069	-	47,716,173
Total other capital assets	50,328,874	565,255	-	50,894,129
Less accumulated depreciation for:				
Buildings and other improvements	(268,485)	(4,025)	-	(272,510)
Equipment	(1,757,963)	(185,628)	-	(1,943,591)
Infrastructure	(29,262,239)	(848,961)	-	(30,111,200)
Total accumulated depreciation	(31,288,687)	(1,038,614)	-	(32,327,301)
Other capital assets, net	19,040,187	(473,359)	-	18,566,828
Business-Type Activities Capital Assets, Net	$ 21,132,404	$ 3,270,513	$ -	24,402,917
		Less associated debt		(15,443,105)
		Plus unspent bond proceeds		2,352,163
		Plus deferred charge on refunding		42,169
		Net Investment in Capital Assets		$ 11,354,144

Depreciation was charged to business-type functions as follows:

Water	$ 218,052
Sewer	820,562
Total Business-Type Activities Depreciation Expense	$ 1,038,614

D. Long-Term Debt

The City issues general obligation bonds and certificates of obligation for the acquisition of assets and construction of major capital facilities. These debt issues have been used for both governmental and business-type activities. Each debt issue is serviced by a specific City fund.

General obligation debt pledges the full faith and credit of the City. The bonds and certificates of obligation are further supported by specific annual tax levies, which are legally restricted to servicing these debt issues. The collection and remittance of such levies are controlled and reported in the debt service fund. Some issues are also secured by a pledge of the City's utility fund net revenues and, in previous years, the utility fund was making annual transfers into the debt service fund to pay for a portion of the debt service. Beginning in fiscal year 2003, all long-term debt originating for the purpose of constructing proprietary fund assets is carried within and directly serviced by the utility fund. The following is a summary of changes in the City's total governmental long-term liabilities for the fiscal year ended September 30, 2021. In general, the City uses the debt service fund and general fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance		Amounts Due Within One Year
Governmental Activities						
General obligation						
refunding bonds	$ 1,350,000	$ -	$ 210,000	$ 1,140,000	*	$ 170,000
Direct borrowings/private placement:						
Refunding bonds	568,725	-	228,773	339,952	*	179,597
Certificates of obligation	9,858,790	2,925,000	691,210	12,092,580	*	667,480
Capital leases	268,051	-	64,000	204,051	*	65,500
Plus deferred amounts:						
For premiums	437,792	199,808	41,089	596,511	*	41,089
	12,483,358	3,124,808	1,235,072	14,373,094		1,123,666
Other liabilities:						
Net pension liability - TMRS	1,942,490	-	328,507	1,613,983		-
Net pension liability - TESRS	109,697	57,451	-	167,148		-
Total OPEB liability	315,232	84,930	-	400,162		-
Compensated absences	501,829	454,030	450,184	505,675		455,108
	2,869,248	596,411	778,691	2,686,968		455,108
Total Governmental Activities	$ 15,352,606	$ 3,721,219	$ 2,013,763	$ 17,060,062		$ 1,578,774
			Long-Term Debt Due In More Than One Year	$ 15,481,288		
			*** Debt Associated With Capital Assets**	$ 14,373,094		

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities					
General obligation refunding bonds	$ 1,620,000	$ -	$ 195,000	$ 1,425,000 *	$ 325,000
Direct borrowings/private placement:					
Refunding bonds	761,275	-	306,227	455,048 *	240,403
Certificates of obligation	2,195,000	-	275,000	1,920,000 *	225,000
Certificates of obligation	11,576,210	-	438,790	11,137,420 *	452,520
Plus deferred amounts:					
For premiums	543,360	-	37,723	505,637 *	37,723
	16,695,845	-	1,252,740	15,443,105	1,280,646
Other liabilities:					
Net pension liability	902,578	-	60,284	842,294	-
Total OPEB liability	57,119	15,586	-	72,705	-
Compensated absences	122,585	115,346	117,241	120,690	108,621
	1,082,282	130,932	177,525	1,035,689	108,621
Total Business-Type Activities	$ 17,778,127	$ 130,932	$ 1,430,265	$ 16,478,794	$ 1,389,267
Long-Term Debt Due In More Than One Year				$ 15,089,527	
*** Debt Associated With Capital Assets**				$ 15,443,105	

In November 2020, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2020 (the "Certificates") in the amount of $2,925,000. Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with the construction, acquisition, renovation, and equipment of improvements to (i) the Lakeside Park project and any/all other City parks, (ii) the Municipal Pool, (iii) the B.G. Peck Soccer Complex, and (iv) the Angleton Recreation Center within the City, and the cost of professional services incurred in connection therewith. The Certificates will mature on February 15, 2040. The Certificates bear an interest rate ranging between 2.00% and 3.00%.

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

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Refunding Bonds		
Series 2013	1.75%	$ 339,952
Series 2016	2.00-4.00%	1,140,000
		1,479,952
Certificates of Obligation		
Series 2018	3.00-4.00%	8,170,000
Series 2019	2.00-4.00%	1,127,580
Series 2020	2.00-3.00%	2,795,000
		12,092,580
Capital Leases		
Fire truck	3.25%	204,051
Total Governmental Activities Long-Term Debt		$ 13,776,583
Business-Type Activities		
General Obligation Refunding Bonds		
Series 2013	1.75%	$ 455,048
Series 2016	2.00-4.00%	1,425,000
		1,880,048
Certificates of Obligation		
Water and sewer, series 2013	2.28%	1,920,000
Water and sewer, series 2015	3.00-4.00%	3,390,000
Series 2019	2.00-4.00%	7,747,420
		13,057,420
Total Business-Type Activities Long-Term Debt		$ 14,937,468

The annual requirements to amortize debt issues outstanding at year end were as follows:

Governmental Activities

Fiscal Year Ending Sep 30	General Obligation Refunding Bonds Principal	General Obligation Refunding Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Capital Leases Principal	Capital Leases Interest
2022	$ 170,000	$ 36,150	$ 667,480	$ 355,876	$ 65,500	$ 6,144
2023	185,000	31,675	665,246	330,721	68,000	3,991
2024	250,000	25,150	715,103	304,924	70,551	2,382
2025	220,000	17,000	685,185	281,561	-	-
2026	220,000	8,200	667,398	261,531	-	-
2027-2031	95,000	3,900	3,528,695	989,836	-	-
2032-2036	-	-	3,455,580	490,612	-	-
2037-2040	-	-	1,707,893	61,158	-	-
Total	$ 1,140,000	$ 122,075	$ 12,092,580	$ 3,076,219	$ 204,051	$ 12,517

Governmental Activities - Direct Borrowings/Private Placement

Fiscal Year Ending Sep 30	General Obligation Refunding Bonds Principal	General Obligation Refunding Bonds Interest
2022	$ 179,597	$ 5,949
2023	160,355	2,806
Total	$ 339,952	$ 8,755

Business-Type Activities

Fiscal Year Ending Sep 30	General Obligation Refunding Bonds Principal	General Obligation Refunding Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest
2022	$ 325,000	$ 40,900	$ 452,520	$ 307,510
2023	390,000	31,800	304,754	294,340
2024	245,000	22,275	519,897	280,977
2025	235,000	13,900	559,815	264,315
2026	230,000	4,600	447,602	249,901
2027-2031	-	-	3,856,305	907,759
2032-2036	-	-	3,499,420	386,317
2037-2039	-	-	1,497,107	54,061
Total	$ 1,425,000	$ 113,475	$ 11,137,420	$ 2,745,180

Business-Type Activities - Direct Borrowings/Private Placement

Fiscal Year Ending Sep 30	General Obligation Refunding Bonds Principal	General Obligation Refunding Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest
2022	$ 240,403	$ 7,963	$ 225,000	$ 41,211
2023	214,645	3,756	200,000	36,366
2024	-	-	315,000	30,495
2025	-	-	310,000	23,370
2026	-	-	305,000	16,359
2037-2039	-	-	565,000	12,825
Total	$ 455,048	$ 11,719	$ 1,920,000	$ 160,626

The City is not obligated in any manner for special assessment debt. Capital assets acquired under current capital lease obligations totaled $2,402,992, less accumulated depreciation of $1,951,374, net $451,618.

Federal Arbitrage

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

E. Interfund Transactions

Transfers between the primary government funds during the year were as follows:

Transfer In	Transfer Out	Amounts
General	Nonmajor	$ 109,902
General	Utility	10,200
General	Angleton Better Living	378,414
Debt service	Angleton Better Living	625,478
Debt service	Utility	10,311
Nonmajor	General	50,034
Nonmajor	Utility	93,690
Nonmajor	Angleton Better Living	778,464
		$ 2,056,493

Transfers to the general fund were subsidies for administrative expenditures and reimbursements for capital lease payments. Other amounts transferred between funds related to amounts collected by the nonmajor governmental funds for various governmental expenditures. Transfer made to the debt service fund were to satisfy debt allocated to each of corresponding funds.

The composition of interfund balances as of year end is as follows:

Due To	Due From	Amount
General	Angleton Better Living	$ 620,248

The amounts recorded as due to/from are considered to be a temporary loan and will be repaid during the following year.

F. Fund Equity

Funds restricted by enabling legislation are $517,254 related to hotel/motel tax, child safety, and municipal court security and technology.

G. Restricted Assets

The balances of the restricted cash accounts in the general fund and enterprise fund recognized by the City were as follows:

General Fund		
Restricted for capital projects	$	99,258
Utility Fund		
Restricted for capital projects		3,481,636
Total	$	3,580,894

IV. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the City participates along with 2,617 other entities in the Texas Municipal League's Intergovernmental Risk Pools (the "Pool"). The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool, outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

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

The continued spread of the COVID-19 pandemic has given a rise in uncertainties that may have a significant negative impact on the operating activities and results of the City. The occurrence and extent of such impact will depend on future developments, including (i) the duration and spread of the virus, (ii) government quarantine measures, (iii) the effects on the financial markets, and (iv) the effects on the economy overall, all of which are uncertain.

<u>TIRZ #1 Due to Developer</u>

The TIRZ #1 Board approved a developer reimbursement audit in fiscal year 2012 for improvements made within the TIRZ #1. The Board approved a total due to developer in the amount of $2,189,414 which consisted of $1,758,250 in costs and accrued interest of $431,164. Total payments to date have been made in the amount of $371,933, leaving a balance due to the developer of $1,817,481 as of September 30, 2021. Payments due to the developer are contingent upon future tax increments paid within the TIRZ #1.

C. Pension Plans

1. Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State 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 employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

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

	2021	2020
Employee deposit rate	6.00%	6.00%
Matching ratio (City to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service requirement eligibility (expressed as age/yrs of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100%	100%
Annuity increase (to retirees)	70% of CPI	70% of CPI

Employees Covered by Benefit Terms

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	78
Inactive employees entitled to, but not yet receiving, benefits	83
Active employees	136
Total	297

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute six percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 12.21% and 12.05% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were $975,403 and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020 and the Total Pension Liability (TPL) used to calculate the NPL was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% 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 active members, 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 four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

Assets Class	Target Allocation	Expected Real Rate of
Global Equities	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the TPL was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the TMRS 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 TPL.

Changes in the NPL

	Increase (Decrease)		
	Total Pension Liability (A)	**Plan Fiduciary Net Position (B)**	**Net Pension Liability (A) - (B)**
Changes for the year:			
Service cost	$ 1,065,898	$ -	$ 1,065,898
Interest	1,913,148	-	1,913,148
Change in current period benefits	-	-	-
Difference between expected and actual experience	(75,064)	-	(75,064)
Changes of assumptions	-	-	-
Contributions - employer	-	904,937	(904,937)
Contributions - employee	-	445,051	(445,051)
Net investment income	-	1,955,933	(1,955,933)
Benefit payments, including refunds of employee contributions	(1,598,568)	(1,598,568)	-
Administrative expense	-	(12,655)	12,655
Other changes	-	(493)	493
Net Changes	1,305,414	1,694,205	(388,791)
Balance at December 31, 2019	29,609,271	25,764,203	2,845,068
Balance at December 31, 2020	$ 30,914,685	$ 27,458,408	$ 2,456,277

Sensitivity of the NPL to Changes in the Discount Rate

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	$ 6,637,170	$ 2,456,277	$ (948,540)

Pension Plan Fiduciary Net Position

Detailed information about the TMRS fiduciary net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

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

For the fiscal year ended September 30, 2021, the City recognized pension expense of $419,452.

At September 30, 2021, 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	$ 29,851	$ 172,317
Changes in actuarial assumptions	64,098	-
Net difference between projected and actual investment earnings	-	731,863
Contributions subsequent to the measurement date	721,425	-
Total	$ 815,374	$ 904,180

$721,425 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 NPL for the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2022	$ (347,494)
2023	20,462
2024	(439,829)
2025	(43,370)
2026	-
Thereafter	-
Total	$ (810,231)

2. Texas Emergency Services Retirement System

Plan Description

The City participates in a cost-sharing multiple employer pension plan that has a special funding situation. The plan is administered by the TESRS and established and administered by the State to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. At August 31, 2020, there were 238 contributing fire and/or emergency services department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

On August 31, 2020, the TESRS membership consisted of:

Retirees and Beneficiaries Currently Receiving Benefits	3,837
Terminated Members Entitled to Benefits but Not Yet Receiving Them	1,787
Active Participants (Vested and Nonvested)	3,634

Pension Plan Fiduciary Net Position

Detailed information about TESRS's fiduciary net position is available in a separately-issued Annual Comprehensive Financial Report that includes financial statements and Required Supplementary Information. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and Required Supplementary Information, and can be obtained at www.tesrs.org. The separately issued actuarial valuations that may be of interest are also available at the same link.

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees (the "Board") authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by Board rule. The benefit provisions include retirement benefits, as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percentage increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percentage multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On-and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of TESRS, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the TESRS contribution that directly impacts future retiree annuities.

The State is required to contribute an amount necessary to make TESRS "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The Board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the State are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the August 31, 2018 and 2020 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining TESRS to grant up to 15 years of credit for service per member. Prior service purchased must have occurred before the department began participation in TESRS.

A small subset of participating departments has a different contribution arrangement that is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into TESRS. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to benefit payments paid by TESRS.

Contributions

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by Board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2020, total contributions (dues, prior service, and interest on prior service financing) of $33,095 were paid by the City. The State appropriated $1,329,224 for the fiscal year ending August 31, 2020 to TESRS as a whole.

Actuarial Assumptions

The TPL in the August 31, 2020, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date	8/31/2020
Actuarial Cost Method	Entry age
Amortization Method	Level dollar, open
Amortization Period	30 years
Asset Valuation Method	Market value smoothed by a 5-year deferred recognition method with a 80%/120% corridor on market value
Actuarial Assumptions:	
Investment Rate of Return*	7.5%
Projected Salary Increases	N/A
*Includes Inflation at	3.0%
Cost-of-Living Adjustments	None

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA. The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 5.01%) and by adding expected inflation (3.0%). In addition, the final 7.5% assumption reflected a reduction of 0.26 percent for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Assets Class	Target Allocation	Long -Term Expected Net Real Rate of Return
Equities		
Large cap domestic	20%	5.83%
Samll cap domestic	10%	5.94%
Developed international	15%	6.15%
Emerging markets	5%	7.25%
Global Infrastructure	5%	6.41%
Multi asset income	5%	3.84%
Real estate	10%	4.48%
Fixed income	30%	1.99%
Total	100%	
Weighted average		4.60%

Discount Rate

The discount rate used to measure the TPL was 7.5%. No projection of cash flows was used to determine the discount rate because the August 31, 2020 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the TESRS fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL.

Discount Rate Sensitivity Analysis

The following presents the NPL of the City, calculated using the discount rate of 7.5%, as well as what the City's NPL would be if it were calculated using a discount rate that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate:

	1% Decrease in Discount Rate (6.5%)	Discount Rate (7.5%)	1% Increase in Discount Rate (8.5%)
City's proportionate share of the net pension liability	$ 334,018	$ 167,148	$ 90,143

Pension Liability, Pension Expense, and Deferred Outflows/Inflows of Resources Related to Pensions

At August 31, 2020, the City reported a liability of $167,148 for its proportionate share of TESRS's NPL. The amount recognized by the City as its proportionate share of the NPL, the related State support, and the total portion of the NPL that was associated with the City were as follows:

City's proportionate share of the collective net pension liability		$ 167,148
State's proportionate share that is associated with the City*		47,469
	Total	$ 214,797

**Calculated using the City's proportionate share of contributions multiplied by the State's share of the collective net pension liability.*

The TPL used to calculate the NPL was determined by an actuarial valuation as of August 31, 2020. GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* (GASB 68), requires the NPL to be measured as of a date no earlier than the end of the employer's prior fiscal year. TESRS did not roll forward (nor did they provide the necessary information for the participants to roll forward) the NPL to be measured as of a date no earlier than the end of the City's prior fiscal year. While the City acknowledges that the measurement date does not fall within this 12-month period, the City elected to honor the conservatism principle and report an NPL measured as of August 31, 2020. The City used the assumption that any differences in the NPL measured as of August 31, 2020 versus September 30, 2021 would be immaterial. The employer's proportion of the NPL was based on the employer's contributions to TESRS relative to the contributions of all employers to TESRS for the period September 1, 2019 through August 31, 2020.

At August 31, 2020, the City's proportion of the collective NPL was 0.663%, which was an increase 0.276% of from its proportion measured as of August 31, 2019.

The assumptions reflect a change in investment rate of return on pension plan investments and discount rate used to measure the total pension liability from 7.75% to 7.50% based on the August 31, 2020, actuarial valuation. There were no other changes in assumptions or other inputs that affected measurement of the TPL during the measurement period.

There were no changes of benefit terms that affected measurement of the TPL during the measurement period.

For the year ended September 30, 2021, the City recognized pension expense of $44,228. The City recognized on-behalf revenues of $8,813 calculated by taking the State's total contributions to TESRS multiplied by the City's proportionate share.

At September 30, 2021, the City reported its proportionate share of the TESRS's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and actual investment earnings	$ 907	$ -
Changes in assumptions	-	273
Difference between expected and actual economic experience	-	7,961
Contributions paid to TESRS subsequent to the measurement date	33,095	-
Total	$ 34,002	$ 8,234

The net amounts of the City's balances of deferred outflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense	
2022	$	(7,112)
2023		(1,461)
2024		5,747
2025		(4,501)
Total	$	(7,327)

D. Other Postemployment Benefits

TMRS - Supplemental Death Benefit

Plan Description

The City participates in an OPEB plan administered by TMRS. TMRS administers the defined benefit group-term life insurance plan known as the SDBF. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) 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. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75. As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund (PTF). The TMRS Act requires the PTF to allocate a 5% interest credit from investment income to the SDBF on an annual basis each December 31 based on the mean balance in the SDBF during the year.

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 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).

Participation in the SDBF as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	53
Inactive employees entitled to, but not yet receiving, benefits	25
Active employees	136
Total	214

Total OPEB Liability

The City's total OPEB liability of $472,868 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate*	2.00%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Changes in the Total OPEB Liability

		Total OPEB Liability
Changes for the year:		
Service cost	$	21,511
Interest		10,495
Changes of benefit terms		-
Difference between expected and actual experience		4,511
Changes of assumptions		66,967
Benefit payments*		(2,967)
Net Changes		100,517
Balance at December 31, 2019		372,351
Balance at December 31, 2020	$	472,868

* Benefit payments are treated as being equal to the employer's yearly contribution for retirees due to the SDBF being considered an unfunded OPEB plan under GASB 75.

There were no changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

There were no changes of benefit terms that affected measurement of the total OPEB liability during the measurement period.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate:

	1% Decrease (1.00%)	Discount Rate (2.00%)	1% Increase (3.00%)
City's total OPEB liability	$ 589,050	$ 472,868	$ 386,629

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

For the year ended September 30, 2021, the City recognized OPEB expense of $54,872. The City reported deferred outflows/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	$ 3,632	$ 7,801
Changes in actuarial assumptions	101,997	9,808
Contributions subsequent to the measurement date	7,783	-
Total	$ 109,780	$ 17,609

$7,783 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2022.

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

Fiscal Year Ended September 30	OPEB Expense	
2022	$	22,866
2023		21,516
2024		20,788
2025		21,037
2026		1,813
Thereafter		-
Total	$	88,020

E. Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan, available to all City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The Plan's trust arrangements are established to protect deferred compensation amounts of employees under the Plan from any other use than intended under the Plan (eventual payment to employees deferring the compensation) in accordance with federal tax laws. Amounts of compensation deferred by employees under Plan provisions are disbursed monthly by the City to a third-party administrator. The third-party administrator handles all funds in the Plan and makes investment decisions and disburses funds to employees in accordance with Plan provisions.

F. Chapter 380 Economic Development Agreements/Tax Abatements

Chapter 380, *Miscellaneous Provisions Relating to Municipal Planning and Development*, of the Texas Local Government Code provides the authority to the governing body of a municipality to establish and provide for the administration of one or more programs, including programs to promote state or local economic development and to stimulate business and commercial activity in the municipality.

<u>Dees Properties, LLC 380 Agreement</u>

On October 8, 2019, City Council approved a community development program agreement (the "Agreement") with Dees Properties LLC (the "Business") for the restoration and preservation of the Bowman Building located at 116 North Velasco (the "Building"). The City agreed to the following:

- Provide a 5-year refund equal to 50% of the property and sales taxes or until the property and sales taxes rebate imposed and received by the City reaches a combined total of $300,000, whichever comes first.
- This Agreement shall remain in effect until the expiration of the 5-year period and may be extended for an additional period on terms mutually accepted by both parties.

- In the event this Agreement is terminated, or the Building is sold by the Business to another party other than City, before the fifth anniversary of the signing of this Agreement, the Business shall repay the total amount of the grant received up to the date of sale or termination.

The Business agreed to the following:

- Revitalize the Bowman Building.
- Add taxable improvements to the real property.
- Create employment opportunities.

$2,065 taxes were refunded during fiscal year 2021.

G. Subsequent Event

In November 2021, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2021 (the "Certificates") in the amount of $2,275,000. Proceeds from the sale of the Certificates will be used for all or any part of the costs associated with the construction, acquisition, renovation, and equipment of improvements to (i) the City's utility and water distribution system including the Chenango Water Plant site and (ii) and the cost of professional services incurred in connection therewith.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

[CLOSING DATE]

$9,995,000
CITY OF ANGLETON, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

We have represented the City of Angleton, Texas (the "Issuer") as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") as described below:

> CITY OF ANGLETON, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022, dated June 15, 2022.
>
> The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the City authorizing their issuance (the "Ordinance").

We have represented the Issuer as its bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the excludability of interest on the Certificates from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein. Capitalized terms used herein and not otherwise defined are used with the meanings assigned to such terms in the Ordinance.

In our capacity as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer, customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed necessary to render the opinions herein. Moreover, we have examined executed Certificate No. I-1 of this issue.

In providing the opinions set forth herein, we have relied on representations and certifications of the Issuer and other parties involved with the issuance of the Certificates with respect to matters solely within the knowledge of the Issuer and such parties, which we have not independently verified. In addition, we have assumed for purposes of this opinion continuing compliance with the covenants in the Ordinance, including, but not limited to, covenants relating to the tax-exempt status of the Certificates.

Based upon such examination, it is our opinion that:

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

2. A continuing ad valorem tax upon all taxable property within the City of Angleton, Texas, necessary to pay the interest on and principal of the Certificates, has been levied and pledged irrevocably for such purposes, within the limits prescribed by law. In addition, the Certificates are further secured by a limited pledge of a subordinate lien on the Net Revenues of the Issuer's waterworks and sewer system in an amount not to exceed $1,000 as provided in the Ordinance.

3. Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not a specific preference item for purposes of the alternative minimum tax.

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

Except as stated above, we express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership, or disposition of the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we have relied are determined to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

Our opinions are based on existing law and our knowledge of facts as to the date hereof and may be affected by certain actions that may be taken or omitted on a later date. We assume no duty to update or supplement our opinions, and this opinion letter may not be relied upon in connection with any changes to the law or facts, or actions taken or omitted, after the date hereof.

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