NEW ISSUE BOOK-ENTRY-ONLY **NON-RATED**

OFFICIAL STATEMENT
Dated: July 11, 2022

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, interest on the Bonds will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein.

The Issuer has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

$980,000
CITY OF DAISETTA, TEXAS
(Liberty County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022

Dated Date: August 1, 2022 **Due: August 15, as shown on page ii**

The $980,000 City of Daisetta, Texas (the "City" or the "Issuer") General Obligation Refunding Bonds, Series 2022 (the "Bonds") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Chapter 1207, as amended, Texas Government Code and an ordinance (the "Ordinance") adopted by the City Council on July 11, 2022. (See "THE BONDS – Authority for Issuance" herein.)

The Bonds are direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law. (See "THE BONDS – Security for Payment" and "TAX RATE LIMITATIONS" herein.)

Interest on the Bonds will accrue from August 1, 2022 (the "Dated Date") as shown above and will be payable on February 15, 2023, and on each August 15 and February 15 thereafter, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully registered obligations in book-entry-only form and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository (the "Securities Depository"). Book-entry interests in the Bonds will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by BOKF, NA, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its Participants, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used for the purpose of (1) refunding the City's outstanding debt for covenant relief as identified in Schedule I hereto (the "Refunded Obligations"), and (2) paying the costs of issuance of the Bonds. (See "PLAN OF FINANCING – Purpose of Bonds" herein.)

No application has been made to any rating agency with respect to the Bonds, and the City does not anticipate applying for such rating in the future.

The Issuer reserves the right to redeem the Bonds maturing on and after August 15, 2032, on August 15, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. Additionally, the "Term Bonds", as defined herein, are subject to mandatory sinking fund redemption as further described herein. (See "THE BONDS – Redemption Provisions" herein.)

The City intends to issue approximately $2,120,000 in bonds anticipated to be sold to the Texas Water Development Board during the second half of 2022. The prospective bonds are expected to be repaid using general obligation debt proceeds authorized at an election held within the City on November 3, 2020.

STATED MATURITY SCHEDULE
(On Page ii)

The Bonds are offered for delivery, when, as and if issued and received by the initial purchaser thereof named below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on or attached to the Bonds. See "LEGAL MATTERS" herein. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas. It is expected that the Bonds will be available for initial delivery through the services of DTC on or about August 17, 2022.

THE BAKER GROUP

$980,000
CITY OF DAISETTA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022

STATED MATURITY SCHEDULE
(Due August 15)

Base CUSIP – 23404A[a]

$60,000 SERIAL BONDS

Stated Maturity August 15	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[a]
2023	$30,000	4.000	2.500	AA9
2024	30,000	4.000	2.750	AB7

$920,000 TERM BONDS

$100,000	3.000%	Term Bonds due August 15, 2027 and priced to yield 3.050%	CUSIP Suffix[a] AE1
$105,000	3.250%	Term Bonds due August 15, 2030 and priced to yield 3.400%	CUSIP Suffix[a] AH4
$120,000	4.000%	Term Bonds due August 15, 2033 and priced to yield 3.600%[b]	CUSIP Suffix[a] AL5
$135,000	4.000%	Term Bonds due August 15, 2036 and priced to yield 4.000%	CUSIP Suffix[a] AP6
$330,000	4.500%	Term Bonds due August 15, 2042 and priced to yield 4.250%[b]	CUSIP Suffix[a] AV3
$130,000	5.000%	Term Bonds due August 15, 2044 and priced to yield 4.350%[b]	CUSIP Suffix[a] AX9

(Interest to accrue from the Dated Date)

The Issuer reserves the right to redeem the Bonds maturing on and after August 15, 2032, on August 15, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest as further described herein. Additionally, the Bonds maturing on August 15, 2027, August 15, 2030, August 15, 2033, August 15, 2036, August 15, 2042, and August 15, 2044 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions" herein.)

[a]*CUSIP numbers are included solely for the convenience of the owner of the Bonds. CUSIP Global Services ("GGS") is a registered trademark of The American Bankers Association by FactSet Research Systems Inc. Copyright(c) 2022 CGS. CUSIP® data herein is provided by CGS. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. None of the City, the Financial Advisor, or the Underwriter, or their agents or counsel, is responsible for the selection or correctness of the CUSIP numbers set forth herein.*

[b]*Yield calculated based on the assumption that the Bonds denoted and sold at a premium will be redeemed on August 15, 2031, the earliest date of redemption for the Bonds, at a price of par plus accrued interest to the date of redemption.*

CITY OF DAISETTA, TEXAS
401B Main Street
Daisetta, Texas 77533
(936) 536-6761

ELECTED OFFICIALS

Name	Position	On Council Since	Term Expires May	Occupation
Eric Thaxton	Mayor	2021	2024	Self-Employed
Cindy Burchfield	Councilmember - One	2015	2024	Secretary
Emily Shields	Councilmember - Two	2019	2023	Secretary
Lori Tidwell	Councilmember - Three	2022	2024	Retired
Chancie Bailey*	Councilmember - Four	2022	2023	Homemaker
Andrew McClusky	Councilmember - Five	2022	2024	Business Consultant

* Appointed to the City Council in June of 2022 to fill the unexpired term of the previously vacant position.

ADMINISTRATION

Name	Position	Length of Service With the City
Joan Caruthers	City Secretary	15

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P. San Antonio, Texas
Certified Public Accountants	Swaim, Brents & Associates, P.C. Liberty, Texas
Financial Advisor	SAMCO Capital Markets, Inc. San Antonio, Texas

For Additional Information Please Contact:

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City Secretary
City of Daisetta
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Daisetta, Texas 77533
(936) 536-6761
secretary@cityofdaisetta.com

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

Certain information set forth herein has been provided by sources other than the City that the City believes to be reliable, but the City makes no representation as to the accuracy of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of the Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the 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.

NONE OF THE CITY, ITS FINANCIAL ADVISOR OR THE UNDERWRITER MAKES 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 SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Daisetta, Texas (the "Issuer" or "City") is a political subdivision of the State of Texas and is located in Liberty County. The Issuer is a Type A general law municipality governed by the Constitution and the general laws of the State of Texas (the "State"). The City's estimated 2021 population was 1,102. (See "Appendix B – General Information Regarding the City of Daisetta and Liberty County, Texas" herein.)
The Bonds	The $980,000 City of Daisetta, Texas General Obligation Refunding Bonds, Series 2022 (the "Bonds") are being issued by the City in accordance with the Constitution and general laws of the State, particularly Chapter 1207, as amended, Texas Government Code and an ordinance (the "Ordinance") adopted by the City Council on July 11, 2022.
Paying Agent/Registrar	The initial Paying Agent/Registrar for the Bonds is BOKF, NA, Dallas, Texas.
Security	The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "THE BONDS – Security for Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption Provisions	The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature on and after August 15, 2032, on August 15, 2031, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, at the price of par plus accrued interest to the date fixed for redemption. Additionally, the Bonds maturing on August 15, 2027, August 15, 2030, August 15, 2033, August 15, 2036, August 15, 2042 and August 15, 2044 (collectively, the "Term Bonds") are also subject to mandatory sinking fund redemption. (See "THE BONDS – Redemption Provisions" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, the interest on the Bonds will be excludable from gross income for federal tax purposes under statutes, regulations, published rulings and court decisions existing on the date of the initial delivery of the Bonds, subject to the matters described under "TAX MATTERS" herein. (See "TAX MATTERS" for a discussion of the Opinion of Bond Counsel and "APPENDIX C – FORM OF LEGAL OPINION OF BOND COUNSEL" herein.)
Use of Bond Proceeds	Proceeds from the sale of the Bonds will be used for the purpose of (1) refunding the City's outstanding debt for covenant relief as identified in Schedule I hereto (the "Refunded Obligations"), and (2) paying the costs of issuance of the Bonds. (See "PLAN OF FINANCING – Purpose of Bonds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company, New York, New York described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
No Rating	No application has been made to any rating agency with respect to the Bonds, and the City does not anticipate applying for such rating in the future. (See "OTHER PERTINENT INFORMATION – No Rating" herein.)
Qualified Tax-Exempt Obligations	The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Issuance of Additional Debt	The City intends to issue approximately $2,120,000 in bonds expected to be sold to the Texas Water Development Board during the second half of 2022. The prospective bonds are expected to be repaid using general obligation debt proceeds authorized at an election held within the City on November 3, 2020.
Payment Record	The City has not defaulted on any of its debt.
Delivery	When issued, anticipated on or about August 17, 2022.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Bond Counsel, San Antonio, Texas.

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INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by City of Daisetta, Texas (the "City" or the "Issuer") of its $980,000 General Obligation Refunding Bonds, Series 2022 (the "Bonds") identified on the cover page hereof.

The Issuer is a political subdivision of the State of Texas and operates as a Type A general law municipality under the statutes and the Constitution of the State of Texas (the "State"). The Bonds are being issued pursuant to the Constitution and general laws of the State, Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and an ordinance (the "Ordinance") adopted by the City Council on July 11, 2022 authorizing the issuance of the Bonds. (See "THE BONDS – Authority for Issuance" herein.)

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT***. Copies of such documents may be obtained from the Issuer or the Financial Advisor noted on page iii hereof.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic which has been subsequently extended and remains in effect. 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. However, on March 2, 2021 (but effective as of March 10, 2021), the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. On May 18, 2021, Governor Abbott issued Executive Order GA-36, which supersedes Executive Order GA-34 in part. Executive Order GA-36 prohibits governmental entities in Texas, including counties, cities, school districts, public health authorities, and government officials from requiring or mandating any person to wear a face covering and subjects a governmental entity or official to a fine of up to $1,000 for noncompliance, subject to certain exceptions. Executive Order GA-38, issued on July 29, 2021 and Executive Order GA-39, issued on August 25, 2021, further provide that governmental entities cannot require mask mandates, vaccine passports, or mandatory vaccinations. On October 11, 2021, the Governor issued Executive Order GA-40, prohibiting any entity from requiring COVID-19 vaccinations. Various lawsuits have been filed throughout the State related to the foregoing and litigation is expected to continue. Executive orders remain in place until they are amended, rescinded, or superseded by the Governor.

Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue to negatively affect economic output worldwide and within the City. These negative impacts may reduce or otherwise negatively affect ad valorem tax revenues which are pledged as security for the Bonds. The City, however, cannot predict the effect of the continued spread of COVID-19 will have on the finances or operations and maintenance of the City.

The City collects a sales and use tax on all taxable transactions within the City's boundaries, revenue from the sale of water, wastewater, franchise fees and gas utility services, as well as an industrial agreement and other excise taxes and fees that depend on business activity. Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, franchise fees, charges, and fees. A reduction in the collection of sales or other excise taxes, franchise fees, utility system revenue, and utility franchise and other fees, charges, and agreements may negatively impact the City's operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds.

Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

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

Issuance in Close Proximity to the Issuance of the Bonds

The City intends to issue approximately $2,120,000 in bonds anticipated to be sold to the Texas Water Development Board during the second half of 2022. The prospective bonds are expected to be repaid using general obligation debt proceeds authorized at an election held within the City on November 3, 2020.

PLAN OF FINANCING

Purpose of Bonds

Proceeds from the sale of the Bonds will be used (1) to refund the City's outstanding debt for covenant relief as identified in Schedule I attached hereto (the "Refunded Obligations"), and (2) to pay costs of issuance and expenses relating to the Bonds.

Refunded Obligations

The Refunded Obligations, and interest due thereon, are to be paid on their scheduled redemption date from cash and investments to be deposited with BOKF, NA, Dallas, Texas (the "Escrow Agent") pursuant to an Escrow Deposit Letter (the "Escrow Agreement"), dated as of July 11, 2022 between the City and the Escrow Agent.

The Ordinance provides that the City will deposit certain proceeds of the sale of the Bonds, along with other lawfully available funds of the City (if any), with the Escrow Agent in the amount necessary and sufficient to accomplish the discharge and final payment of the Refunded Obligations at their scheduled date of early redemption (the "Redemption Date"). Such funds shall be held by the Escrow Agent in an escrow fund (the "Escrow Fund") irrevocably pledged to the payment of principal of and interest on the Refunded Obligations. SAMCO Capital Markets, Inc., in its capacity as Financial Advisor to the City, will certify as to the sufficiency of the amount initially deposited to the Escrow Fund, without regard to investment (if any), to pay the principal of and interest on the Refunded Obligations, when due, on the Redemption Date (the "Sufficiency Certificate"). Amounts on deposit in the Escrow Fund shall, until such time as needed for their intended purpose, be (i) held uninvested in cash, and/or (ii) invested in certain direct, noncallable obligations of the United States of America (including obligations unconditionally guaranteed by the United States of America) that were, on the date the Ordinance was adopted, rated as to investment quality by a nationally recognized rating firm of not less than "AAA". Cash and investments, if any, held in the Escrow Fund shall not be available to pay debt service requirements on the Bonds.

Prior to, or simultaneously with, the issuance of the Bonds, the City will give irrevocable instructions to provide notice to the owners of the Refunded Obligations that the Refunded Obligations will be redeemed prior to stated maturity on which date money will be made available to redeem the Refunded Obligations from money held under the Escrow Agreement.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have effected the defeasance of all of the Refunded Obligations in accordance with the law. It is the opinion of Bond Counsel, in reliance upon the Sufficiency Certificate provided by SAMCO Capital Markets, Inc., that as a result of such defeasance the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Escrow Fund held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City payable from taxes nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

General

The Bonds will be dated August 1, 2022 (the "Dated Date"). The Bonds are stated to mature on August 15 in the years and in the principal amounts set forth on page ii hereof. The Bonds shall bear interest from their Dated Date on the unpaid principal amounts, and the amount of interest to be paid with respect to each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Bonds will be payable on each February 15 and August 15, commencing February 15, 2023, until maturity or prior redemption.

Principal is payable at the designated offices of the "Paying Agent/Registrar" for the Bonds, initially BOKF, NA, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the security register, or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to be closed, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will distribute the amounts received to the appropriate DTC Participants, who shall in turn make payment to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" below for a more complete description of such System.

Authority for Issuance

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including Chapter 1207 and the Ordinance.

Security for Payment

The Bonds are direct obligations of the City payable from the proceeds of an annual ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City. (See "AD VALOREM PROPERTY TAXATION" herein.)

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. The City is a Type A general law municipality operating under the general laws of the State as authorized by Article XI, Section 4 of the Texas Constitution, which limits the maximum tax rate to $1.50 per $100, taxable assessed valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of up to $1.00 of the $1.50 maximum tax rate for all general obligation debt, calculated at the time of issuance and based on 90% tax collection factor.

Redemption Provisions

Optional Redemption. The Issuer reserves the right, at its sole option, to redeem Bonds stated to mature, on or after August 15, 2032, in whole or 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 fixed for redemption. If less than all of the Bonds within a stated maturity are to be redeemed, the particular Bonds to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Mandatory Sinking Fund Redemption. The Bonds maturing August 15, 2027, August 15, 2030, August 15, 2033, August 15, 2036 August 15, 2042, and August 15, 2044 (the "Term Bonds") are also subject to mandatory redemption prior to their stated maturity in part and by lot, at the redemption prices equal to the principal amounts thereof, plus accrued interest thereon to the redemption dates, on August 15, in the years and principal amounts shown below:

Term Bonds to Mature on August 15, 2027

Year	Principal Amount
2025	$30,000
2026	35,000
2027*	35,000

Term Bonds to Mature on August 15, 2030

Year	Principal Amount
2028	$35,000
2029	35,000
2030*	35,000

Term Bonds to Mature on August 15, 2033

Year	Principal Amount
2031	$40,000
2032	40,000
2033*	40,000

Term Bonds to Mature on August 15, 2036

Year	Principal Amount
2034	$45,000
2035	45,000
2036*	45,000

Term Bonds to Mature on August 15, 2042

Year	Principal Amount
2037	$50,000
2038	50,000
2039	55,000
2040	55,000
2041	60,000
2042*	60,000

Term Bonds to Mature on August 15, 2044

Year	Principal Amount
2043	$65,000
2044*	65,000

____
*Payable at Stated Maturity

Approximately forty-five (45) days prior to each mandatory redemption date for the Term Bonds, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable Stated Maturity to be redeemed on the next following August 15 from money set aside for that purpose in the Bond Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity. The principal amount of a Term Bond required to be redeemed pursuant to the operation of such mandatory redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Bonds of such stated maturity which, at least fifty (50) days prior to the mandatory redemption date (1) shall have been defeased or acquired by the Issuer and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer, or (3) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

Selection of Bonds for Redemption

If less than all of the Bonds are to be redeemed, the City shall determine the amounts and maturities thereof to be redeemed and shall direct the Paying Agent/Registrar to select by lot or by another customary random method, the Bonds, or portions thereof, to be redeemed.

Notice of Redemption

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

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

Bonds of a denomination larger than $5,000 may be redeemed in part ($5,000 or any integral multiple thereof). Any Bond to be partially redeemed must be surrendered in exchange for one or more new Bonds of the same stated maturity and interest rate for the unredeemed portion of the principal. In the event of redemption of less than all of the Bonds of a particular stated maturity, the Paying Agent/Registrar is required to select the Bonds of such stated maturity to be redeemed by such random method as it deems fair and appropriate and which may provide for the selection for redemption of portions (equal to any authorized denomination) of the Bonds of a denomination larger than $5,000.

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

Sources and Uses

Sources	
Par Amount of the Bonds	$980,000.00
Accrued Interest on the Bonds	1,793.89
Net Reoffering Premium	15,840.85
Total Sources of Funds	$997,634.74
Uses	
Deposit to Escrow Fund	$916,157.04
Accrued Interest	1,793.89
Costs of Issuance	61,702.97
Underwriter’s Discount	17,980.84
Total Uses of Funds	$997,634.74

Payment Record

The City has not defaulted on any of its debt.

Legality

The Bonds are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel. A form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity or otherwise) is provided by irrevocably depositing with the Paying Agent/Registrar or authorized escrow agent, in trust (1) money sufficient to make such payment, and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Bonds. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the City authorizes the defeasance of the Bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that, on the date the City authorizes the defeasance of the Bonds, have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any additional securities and obligations hereafter authorized by Texas law as eligible for use to accomplish the discharge of obligations such as the Bonds. There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Bonds. Because the Ordinance does not contractually limit such investments, registered owners will be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

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

Amendments

In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the holders, (iv) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (v) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interests of the holders.

The Ordinance further provides that the holders of the Bonds aggregating in principal amount 51% of the outstanding Bonds shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the holders in original principal amount of the then outstanding Bonds so affected, no amendment may be made for the purpose of: (i) making any change in the maturity of any of the outstanding Bonds; (ii) reducing the rate of interest borne by any of the outstanding Bonds; (iii) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Bonds; (iv) modifying the terms of payment of principal or of interest or redemption premium on outstanding Bonds, or imposing any condition with respect to such payment; or (v) changing the minimum percentage of the principal amount of the Bonds necessary for consent to such amendment.

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Bonds when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds, if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, so rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court (the "Court") ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) ("Tooke") that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, Tooke, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Court addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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

REGISTRATION, TRANSFER, AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds affected by the change by United States mail, first-class, postage prepaid.

The Bonds will be issued in fully registered form in multiples of $5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Record Date

The record date ("Record Date") for determining the party to whom interest is payable on a Bond on any interest payment date means the last business day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date", which must be 15 days after the Special Record Date) will be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each holder of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice. (See "REGISTRATION, TRANSFER, AND EXCHANGE – Special Record Date for Interest Payment" herein.)

Future Registration

In the event the Bonds are not in the Book-Entry-Only System, the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Bonds.)

Limitation on Transfer or Exchange of Bonds

The Paying Agent/Registrar shall not be required to transfer or exchange any Bonds or any portion thereof during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or with respect to any Bond or portion called for redemption prior to maturity, within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond called for redemption.

Replacement Bonds

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Bond must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered Bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each 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 issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). Direct Participants and Indirect Participants are jointly referred to as "Participants". DTC has a 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 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices for the Bonds shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Direct Participant as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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

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

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, the Financial Advisor, or the initial purchaser of the Bonds.

Use of Certain Terms in Other Sections of this Official Statement

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

Effect of Termination of Book-Entry-Only System

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Bonds will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE – Future Registration."

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE ISSUER

The City invests funds in instruments authorized by Texas law, specifically the Public Funds Investment Act, Chapter 2256, Texas Government Code (the "PFIA"), in accordance with and investment policies approved by the City Council. The City Council appoints the City Secretary as the "investment officer" of the City. Both State law and the City's investment policies are subject to change.

Under Texas law, the City is authorized to invest in (1) obligations 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 are 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 and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State of 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; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by a combination of cash and obligations described in clause (1) which are pledged to the 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 of Texas, (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 SEC that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, (12) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, invest exclusively in obligations described in this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, and (13) public funds investment pools that have an advisory board which includes participants in the pool and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or "AAAm" or its equivalent or no lower than investment grade with a weighted average maturity no greater than 90 days. If specifically authorized in the authorizing document, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

Governmental bodies in the State such as the City are authorized to implement 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) of the second paragraph under this caption, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the second paragraph under this caption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body 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.

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 and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the PFIA. All 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 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 market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

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

Authorized Investments

The City maintains portfolios which utilize specific investment strategy consideration, designed to address the unique characteristics of the following fund groups represented in the investment portfolios:

- Operating Funds and Commingled Pools Containing Operating Funds
- Debt Service Funds
- Debt Service Reserve Funds
- Capital Projects and Special Purpose Funds

All investment instruments must be approved by resolution of the City Council. Assets of funds of the City may be invested in the following instruments:

- U.S. Treasury obligations with stated maturities not to exceed three (3) years and not to exceed 100% of the overall portfolio;
- Obligations of U.S. Government agencies and instrumentalities with stated maturities not to exceed three (3) years and not to exceed 60% of the overall portfolio;
- Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the State of Texas of the United States or its agencies and instrumentalities with stated maturity not to exceed three years;
- Repurchase agreements and reverse repurchase agreements as defined by the PFIA and collateralized by U.S. Government Obligations and obligations of U.S. Government Agencies and Instrumentalities, undertaken under an executed Master Repurchase Agreement with primary dealer and not to exceed six (6) months. The portfolio may not contain more than 40% repurchase agreements;
- Certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or secured by obligation that are described in investment vehicles above and not to exceed 40% of the overall portfolio;
- Constant dollar investment pools as defined by the PFIA rated no lower than "AAA" or "AAA-m" or its equivalent by at least one national rating agency and with a weighted average maturity not to exceed sixty (60) days. All investment pools must be approved by resolution from the City Council; and
- No-load money market mutual funds as permitted by the Public Funds Investment Act.

Current Investments

As of March 31, 2022 (unaudited), the following percentages of the City's investable funds were invested in the following categories of investments.

Type of Security		Amount
Cash and Cash Equivalents		$2,150,975
	Total Investments	$2,150,975

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

The Texas State Comptroller of Public Accounts exercises oversight responsibility over the Texas Local Government Investment Pool ("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 both of participants in TexPool and of the other persons who do not have a business relationship with TexPool. The advisory Board members review the investment policy and management fee structure. Finally, TexPool is rated "AAA" by S&P. TexPool operates in a manner consistent with the SEC's Rule 2a-7 of the Investment Company Act of 1940. As such, TexPool uses amortized cost to report net assets and share prices since that amount approximates fair value.

DEFINED BENEFIT PENSION PLAN

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System ("TMRS"). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained at www.tmrs.com.

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

For more information see the City's most recent Comprehensive Annual Financial Report – Notes beginning on page 29.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000), and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit. The City has elected to grant $40,000 for persons 65 years of age or older and the disabled.

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

Tax Increment Reinvestment Zones

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

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.

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. For tax years beginning prior to January 1, 2022, except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. 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 tax years beginning on or after January 1, 2022, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exception. For more information on the exemption, reference is made to Section 11.35, Texas Tax Code, as amended.

City and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount was set at \$50 million for the 2020 tax year, \$50.6 million for the 2021 tax year, \$52.9 million for the 2022 tax year and is adjusted annually by the State Comptroller to reflect the inflation rate.

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

Levy and Collection of Taxes

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

City's Rights in the Event of Tax Delinquencies

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

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

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

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State will permit allocation of up to $1.00 of the $1.50 maximum tax rate for all general obligation debt, calculated at the time of issuance and based on a 90% tax collection factor.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption of $10,000 to the appraised value of the residence homestead of persons 65 years of age or older.

The City does not grant the additional up to 20% of the appraised value of residence homesteads.

The City taxes only business personal property.

The City does not collect its own property taxes and does not allow discounts.

The City does not grant an exemption for "goods-in-transit".

The City does not tax freeport property.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004, as described herein.

The City does not participate in any tax increment financing zones.

The City does not have any existing tax abatement agreements.

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

ADDITIONAL TAX COLLECTIONS

Municipal Sales Tax Collections

The City has adopted the provisions of Chapter 321 of the Tax Code, as amended, which provides for the maximum levy of a one percent sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness.

Optional Sales Tax

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales 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 tax is approved and levied, the ad valorem property tax levy must be reduced by the amount of the estimated sales tax revenues to be generated in the current year. Further the Tax Code provides certain cities the option of assessing a maximum one-half percent (1/2%) sales tax on retail sales of taxable items for economic development purposes, if approved by a majority of the voters in a local option election.

The City does not collect an additional one-quarter of one percent sales tax for reduction of ad valorem taxes.

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. The City's area previously experienced multiple storms and future adverse weather events could result in damages to City facilities or damages to residential and commercial properties in the City that comprise the City's ad valorem tax base. If a 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 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's boundaries or be sufficient for such purposes. 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.

TAX MATTERS

Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the City, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the City will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership or disposition of the Bonds. See "Appendix C – Form of Legal Opinion of Bond Counsel".

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City's federal tax certificate, (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters and (c) the Sufficiency Certificate verifying the sufficiency of the deposit to the escrow fund established to redeem the refunded obligations. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the City is conditioned on compliance by the City with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the representations of the City that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

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

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

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

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

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

CONTINUING DISCLOSURE OF INFORMATION

The City is exempt from certain of the continuing disclosure obligations set forth in SEC Rule 15c2-12, as amended (the "Rule"), pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the City who are not an "obligated person" (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Bonds) in an aggregate principal amount exceeding $10,000,000. This exception allows the City to not file annual updates to all financial and operating data that is included in this Official Statement. In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board ("MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Markets Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in APPENDIX D to this Official Statement, which is customarily prepared by the City and publicly available. The City will update and provide this information within twelve months after the end of each fiscal year ending in and after 2022.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by the Rule. The updated information will include audited financial statements for the City, if the City commissions an audit and it is completed by the required time. If audited financial statements are not provided by that time, the City will provide unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the City's annual financial statements or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Website or filed with the SEC, as permitted by the Rule.

The Issuer's current fiscal year end is March 31. Accordingly, it must provide updated information by March 31 in each year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB of the change.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Bonds to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information or operating data in accordance with their agreement described above under "Annual Reports". The City will provide each notice described in this paragraph to the MSRB. Neither the Bonds nor the Ordinance make any provision for a bond trustee, debt service reserves, credit enhancement, or liquidity enhancement. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings.

For these purposes, any event described in clause (12) of the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For the purposes of the above described event notices (15) and (16), the term "financial obligation" means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) a guarantee of (i) or (ii); provided however, that a "financial obligation" shall not include municipal securities as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

Availability of Information from MSRB

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

Limitations and Amendments

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

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

Compliance with Prior Agreements

The City has not entered into any prior continuing disclosure agreements under the Rule; however, previously, the City voluntarily undertook a continuing disclosure obligation in which it has materially complied.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

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

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

Litigation

In the opinion of the City staff, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the Issuer, would have a material adverse effect on the financial condition of the City.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, and are real and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivision, and are legal security for those deposits to the extent of their fair market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

Legal Opinions and No-Litigation Certificate

The Issuer will furnish the Underwriter with a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Bond is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Bonds, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Bonds. In its capacity as Bond Counsel, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas has reviewed (except for numerical, statistical, or technical data) the information under the captions "PLAN OF FINANCING – Refunded Obligations", "THE BONDS" (except for the last paragraph under the subcaption "Notice of Redemption" and information under the subcaptions "Payment Record" and "Default and Remedies" as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "OTHER PERTINENT INFORMATION – Legal Investments and Eligibility to Secure Public Funds in Texas", "OTHER PERTINENT INFORMATION – Registration and Qualification of Bonds for Sale", "LEGAL MATTERS – Legal Opinions and No-Litigation Certificate" (except for the last sentence of the first paragraph thereof as to which no opinion is expressed), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under the subcaption thereof "Compliance with Prior Agreements", as to which no opinion is expressed) and, in the opinion of Bond Counsel, such information in all material respects accurately and fairly reflects the provisions of the Bonds and the Ordinance and the discussion of applicable law contained in such captions or subcaptions. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Bonds will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Norton Rose Fulbright US LLP, Dallas, Texas, whose fees are contingent on the sale and delivery of the Bonds .

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

No Rating

No application has been made to any rating agency with respect to the Bonds, and the City does not anticipate applying for such rating in the future.

Authenticity of Financial Information

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents, and ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any protection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

Financial Advisor

SAMCO Capital Markets, Inc. is employed as the Financial Advisor to the Issuer in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the Issuer to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page ii of this Official Statement, less an underwriting discount of $17,980.84, plus accrued interest from the Dated Date to the date of initial delivery. The Underwriter will be obligated to purchase all of the Bonds, if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

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

Information from External Sources

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, the Rule.

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.

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Concluding Statement

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

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

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

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

CITY OF DAISETTA, TEXAS

/s/ Eric Thaxton
Mayor
City of Daisetta, Texas

ATTEST:

/s/ Joan Caruthers
City Secretary
City of Daisetta, Texas

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SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS
CITY OF DAISETTA, TEXAS

Combination Tax and Revenue Certificates of Obligation, Series 2005
(Redemption Date August 18, 2022 @ par)

Original Dated Date 8/15/2005	Current Interest Certificates Original Maturity (August 15)	Original Principal Amount	Principal Being Refunded	Interest Rate
	2023	$ 25,000	$ 25,000	4.500%
	2024	26,000	26,000	4.500%
	2025	28,000	28,000	4.500%
	2026	29,000	29,000	4.500%
	2027	30,000	30,000	4.500%
	2028	31,000	31,000	4.500%
	2029	33,000	33,000	4.500%
	2030	34,000	34,000	4.500%
	2031	36,000	36,000	4.500%
	2032	37,000	37,000	4.500%
	2033	39,000	39,000	4.500%
	2034	41,000	41,000	4.500%
	2035	43,000	43,000	4.500%
	2036	45,000	45,000	4.500%
	2037	47,000	47,000	4.500%
	2038	49,000	49,000	4.500%
	2039	51,000	51,000	4.500%
	2040	53,000	53,000	4.500%
	2041	56,000	56,000	4.500%
	2042	58,000	58,000	4.500%
	2043	61,000	61,000	4.500%
	2044	64,000	64,000	4.500%
		$ 916,000	$ 916,000	

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION — TABLE 1

2021 Actual Market Value of Taxable Property (100% of Actual)		$	51,048,116
Less Exemptions:			
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 1,046,723		
Disabled and Deceased Veterans' Exemptions	32,000		
Productivity Value Loss [a]	309,994		
Freeport Exemption	-		
10% Cap Loss	1,882,672		
Totally Exempt Property	10,260,004		13,531,393
2021 Net Taxable Assessed Valuation		$	37,516,723
Less Freeze Taxable Value and Transfer Adjustment	4,328,075		
2021 Freeze Adjusted Taxable Assessed Valuation [a]		$	33,188,648
2022 Preliminary Taxable Value		$	45,916,465

(a) *See "AD VALOREM PROPERTY TAXATION" and "CITY APPLICATION OF THE PROPERTY TAX CODE " in the body of the Official Statement for a description of the Issuer's taxation procedures.*

Source: Liberty County Central Appraisal District.

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Principal Outstanding: (As of July 1, 2022)				
Combination Tax and Revenue Certificates of Obligation, Series 2005		$	-	
General Obligation Refunding Bonds, Series 2022 (the "Bonds")			980,000	
Total Gross General Obligation Debt Principal Outstanding:		$	980,000	
Less: Self-Supporting General Obligation Debt Principal:				
Combination Tax and Revenue Certificates of Obligation, Series 2005	(100% UF)	$	-	(a)
General Obligation Refunding Bonds, Series 2022 (100% UF) [b]			980,000	
Total Self-Supporting General Obligation Debt Principal Outstanding:		$	980,000	
Total **Net** General Obligation Debt Principal Outstanding (Following the Issuance of the Bonds)		$	-	

Ratio of **Gross** General Obligation Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation		2.95%
Ratio of **Net** General Obligation Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation		0.00%
2021 Freeze Adjusted Net Taxable Assessed Valuation	$	33,188,648

Population: 2000 - 1,034; 2010 - 966; 2020 - 1,124; Current (Estimate) 1,102
Per Capita 2021 Freeze Adjusted Taxable Asssessed Valuation- $30,117
Per Capita Gross General Obligation Debt Principal - $889
Per Capita Net General Obligation Debt Principal - $0

(a) *Excludes the Refunded Obligations.*

(b) *The City has not historically levied an Interest and Sinking Tax but retains the legal authority to do so.*

OTHER OBLIGATIONS TABLE 3

Leases / Notes Payable

There are no Leases or Notes payable as of March 31, 2022.

Source: Information provided by the Issuer.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 4

Fiscal Year Ending March 31	Currently Outstanding Debt Service[1]	Less Refunded Debt Service*	The Bonds Principal	The Bonds Interest	The Bonds Total	Combined Total Debt Service	Less Self-Supporting Debt Service	Net Total Debt Service
2023	$ 44,976	-		$ 21,751	$ 21,751	$ 66,727	$ 66,727	$ -
2024	65,658	65,658	$ 30,000	39,763	69,763	69,763	69,763	-
2025	65,510	65,510	30,000	38,563	68,563	68,563	68,563	-
2026	66,295	66,295	30,000	37,513	67,513	67,513	67,513	-
2027	66,013	66,013	35,000	36,538	71,538	71,538	71,538	-
2028	65,685	65,685	35,000	35,488	70,488	70,488	70,488	-
2029	65,313	65,313	35,000	34,394	69,394	69,394	69,394	-
2030	65,873	65,873	35,000	33,256	68,256	68,256	68,256	-
2031	65,365	65,365	35,000	32,119	67,119	67,119	67,119	-
2032	65,790	65,790	40,000	30,750	70,750	70,750	70,750	-
2033	65,148	65,148	40,000	29,150	69,150	69,150	69,150	-
2034	65,438	65,438	40,000	27,550	67,550	67,550	67,550	-
2035	65,638	65,638	45,000	25,850	70,850	70,850	70,850	-
2036	65,748	65,748	45,000	24,050	69,050	69,050	69,050	-
2037	65,768	65,768	45,000	22,250	67,250	67,250	67,250	-
2038	65,698	65,698	50,000	20,225	70,225	70,225	70,225	-
2039	65,538	65,538	50,000	17,975	67,975	67,975	67,975	-
2040	65,288	65,288	55,000	15,613	70,613	70,613	70,613	-
2041	64,948	64,948	55,000	13,138	68,138	68,138	68,138	-
2042	65,495	65,495	60,000	10,550	70,550	70,550	70,550	-
2043	64,930	64,930	60,000	7,850	67,850	67,850	67,850	-
2044	65,253	65,253	65,000	4,875	69,875	69,875	69,875	-
2045	65,440	65,440	65,000	1,625	66,625	66,625	66,625	-
Total	$ 1,486,801	$ 1,441,825	$ 980,000	$ 560,832	$ 1,540,832	$ 1,585,808	$ 1,585,808	$ -

[1] *Includes self-supporting debt and the principal and interest payment on August 15, 2022 for the Refunded Obligations.*

TAX ADEQUACY (Includes Self-Supporting Debt) — TABLE 4A

2021 Freeze Adjusted Taxable Assessed Valuation	$ 33,188,648
Maximum Annual Debt Service Requirements (Fiscal Year Ending 3-31-27)	71,538
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	0.2199

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY (Excludes Self-Supporting Debt) — TABLE 4B

2021 Freeze Adjusted Taxable Assessed Valuation	$ 33,188,648
Maximum Annual Debt Service Requirements (Fiscal Year Ending 3-31-23)	-
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	-

Note: Above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE — TABLE 5

(Includes the Bonds)

	Principal Repayment Schedule				Principal	Percent of
Fiscal Year Ending 3/31	Outstanding Obligations [(a)]	Less: Refunded Obligations	The Bonds	Total	Unpaid at End of Year	Principal Retired (%)
2023	$ 24,000				$980,000	-
2024	25,000	$ 25,000	$ 30,000	$ 30,000	950,000	3.06%
2025	26,000	26,000	30,000	30,000	920,000	6.12%
2026	28,000	28,000	30,000	30,000	890,000	9.18%
2027	29,000	29,000	35,000	35,000	855,000	12.76%
2028	30,000	30,000	35,000	35,000	820,000	16.33%
2029	31,000	31,000	35,000	35,000	785,000	19.90%
2030	33,000	33,000	35,000	35,000	750,000	23.47%
2031	34,000	34,000	35,000	35,000	715,000	27.04%
2032	36,000	36,000	40,000	40,000	675,000	31.12%
2033	37,000	37,000	40,000	40,000	635,000	35.20%
2034	39,000	39,000	40,000	40,000	595,000	39.29%
2035	41,000	41,000	45,000	45,000	550,000	43.88%
2036	43,000	43,000	45,000	45,000	505,000	48.47%
2037	45,000	45,000	45,000	45,000	460,000	53.06%
2038	47,000	47,000	50,000	50,000	410,000	58.16%
2039	49,000	49,000	50,000	50,000	360,000	63.27%
2040	51,000	51,000	55,000	55,000	305,000	68.88%
2041	53,000	53,000	55,000	55,000	250,000	74.49%
2042	56,000	56,000	60,000	60,000	190,000	80.61%
2043	58,000	58,000	60,000	60,000	130,000	86.73%
2044	61,000	61,000	65,000	65,000	65,000	93.37%
2045	64,000	64,000	65,000	65,000	-	100.00%
	$ 940,000	$ 916,000	980,000	$ 980,000		

[(a)] *Includes self-supporting debt.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2021 — TABLE 6

	Net Taxable	Change From Preceding Year	
Tax Year	Assessed Valuation	Amount ($)	Percent
2012	$ 26,070,857	$ -	
2013	30,936,605	4,865,748	18.66%
2014	29,731,398	(1,205,207)	-3.90%
2015	27,025,690	(2,705,708)	-9.10%
2016	26,660,746	(364,944)	-1.35%
2017	26,987,867	327,121	1.23%
2018	27,363,137	375,270	1.39%
2019	29,626,535	2,263,398	8.27%
2020	30,009,138	382,603	1.29%
2021	37,516,723	7,507,585	25.02%

Source: Liberty County Central Appraisal District.

CLASSIFICATION OF ASSESSED VALUATION TABLE 7

Category		2021			2020			2019	% of Total
Real, Residential, Single-Family	$	22,723,999	44.51%	$	17,180,546	42.23%	$	16,157,489	41.91%
Real, Residential, Multi-Family		531,310	1.04%		439,000	1.08%		382,560	0.99%
Real, Vacant Lots/Tracts		1,029,812	2.02%		1,820,441	4.47%		1,795,093	4.66%
Real, Acreage (Land Only)		345,170	0.68%		368,960	0.91%		355,590	0.92%
Farm & Ranch Improvements		652,627	1.28%		195,340	0.48%		95,580	0.25%
Real, Commercial		2,274,480	4.46%		1,879,040	4.62%		1,720,260	4.46%
Real, Industrial		3,027,130	5.93%		125,860	0.31%		128,790	0.33%
Real, Minerals (Oil and Gas)		647,664	1.27%		1,654,107	4.07%		2,687,306	6.97%
Real & Tangible, Personal Utilities		2,369,430	4.64%		2,293,340	5.64%		2,437,210	6.32%
Tangible Personal, Business / Commercial		3,734,770	7.32%		3,229,640	7.94%		2,956,730	7.67%
Tangible Personal, Industrial		306,500	0.60%		273,260	0.67%		224,050	0.58%
Tangible Personal, Mobil Homes		3,145,220	6.16%		2,343,710	5.76%		2,029,890	5.26%
Totally Exempt Property		10,260,004	20.10%		8,879,630	21.83%		7,585,324	19.67%
Total Market Value	$	51,048,116	100.00%	$	40,682,874	100.00%	$	38,555,872	100.00%
Less Exemptions and Losses:									
Local, Optional Over-65 and/or Disabled Homestead	$	1,046,723		$	966,240		$	902,149	
Disabled and Deceased Veterans'		32,000			32,000			24,500	
Productivity Value / Production Loss		309,994			329,329			316,259	
Freeport Property		-			-			-	
10% Cap Loss		1,882,672			466,537			101,105	
Totally / Partially Exempt Property		10,260,004			8,879,630			7,585,324	
Total Exemptions	$	13,531,393		$	10,673,736		$	8,929,337	
Net Taxable Assessed Valuation	$	37,516,723		$	30,009,138		$	29,626,535	
Total Freeze Taxable Value		4,287,485			3,647,209			3,277,912	
Transfer Adjustment		40,590			-			574	
Freeze Adjusted Taxable Assessed Valuation	$	33,188,648		$	26,361,929		$	26,348,049	

Source: Liberty County Central Appraisal District

Note: Assessed Valuations shown here are Certified Valuations and may change during the year due to various supplements and protests. Valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

PRINCIPAL TAXPAYERS 2021 — TABLE 8

Name	Type of Business	2021 Net Taxable Assessed Valuation	% of Total 2021 Net Taxable Assessed Valuation
Exxon Mobil Corporation	Energy	$ 2,636,070	7.94%
Entergy Texas Inc.	Utility	1,893,940	5.71%
C&L Vacuum Service[b]	Vacuums	1,875,000	5.65%
Dennie & Bobb Howell	Private Residence	980,250	2.95%
Lynn & Debra Fregia[b]	Private Residence	895,560	2.70%
Mobil Oil Corporation	Energy	777,820	2.34%
Hull Daisetta Pump	Oil and Gas	703,010	2.12%
James Wayne Properties	Real Estate	408,250	1.23%
Border Stop Inc.	Gas Station	400,740	1.21%
Lonnie Fregia[b]	Private Residence	370,450	1.12%
Total		$ 10,941,090	32.97%

[a] As shown in the table above, the total combined top ten taxpayers in the City currently account for over 32% of the City's tax base. In addition, multiple top taxpayers within the City are participants in the oil and gas industry (which is subject to fluctuation in terms of market valuation and availability), thereby creating a concentration risk for the City. Any adverse development related to these taxpayers and their ability to continue to conduct business at their respective locations within the City's boundaries may result in significantly less local tax revenue, thereby severely affecting the City's finances and its ability to repay its outstanding indebtedness. The valuation of power utilities within the State, as determined by respective appraisal districts, have been subject to litigation related to the taxable value of such property; private power generation facilities are also subject to transfer and sole ownership by another entity, including to local governments whose property is exempt from ad valorem taxation. Accordingly, the City makes no representation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom.

[b] The indicated taxpayers are interrelated, in that the Fregia family owns C&L Vacuum Service ("C&L"). C&L has been delinquent in the payment of its tax liabilities since 2019 and has since entered into a repayment plan.

Source: Texas Comptroller of Public Accounts

PROPERTY TAX RATES AND COLLECTIONS [a] — TABLE 9

Tax Year	Assessed Valuation[b]	Tax Rate[c]	Adjusted Tax Levy	% of Collections Total	Year Ended
2017	$ 24,350,108	$ 0.55220	$ 149,027	96.32%	3/31/2018
2018	24,245,871	0.57830	158,241	97.57%	3/31/2019
2019	26,348,049	0.57760	171,191	92.24%	3/31/2020
2020	26,361,929	0.55580	174,598	100.82%	3/31/2021
2021	33,188,648	0.46570	174,929	101.07%	3/31/2022

[a] *See "AD VALOREM PROPERTY TAXATION - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of the foregoing.*

[b] *Represents Freeze Adjusted Taxable Assessed Valuation.*

[c] *Represents the City's Maintenance and Operations Tax Rate as the City does not levy an Interest and Sinking Tax.*

Note: Assessed Valuations may change during the year due to various supplements and protests. Valuations in other tables of this Official Statement may not match those shown in this table.

Source: Texas Comptroller of Public Accounts, Liberty County Central Appraisal District, Texas Municipal Report published by the Municipal Advisory Council of Texas and the Issuer's Audited Financial Statements and Supplemental Information.

FUND BALANCES — TABLE 10

	As of 3-31-21	As of 3-31-20
General Operating Fund	$ 1,236,338	$ 1,212,506
Water and Sewer Operating Fund	3,528,545	3,665,562
Total	$ 4,764,883	$ 4,878,068

Source: The Issuer's Audited Financial Statements.

MUNICIPAL SALES TAX — TABLE 11

The issuer has adpoted the provisions of Chapter 321, as amended Texas Tax Code, authorizing the City to levy a 1% sales tax. The City's total sales tax rate is 1%. Net collections on calendar year basis are as follows:

Calendar Year	Total Collected	% of Adjusted Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2017	$ 88,951	59.69%	$0.365
2018	100,824	63.72%	0.416
2019	107,958	63.06%	0.410
2020	84,640	48.48%	0.321
2021	93,002	53.17%	0.280
2022	114,469	(As of June, 2022)	

Source: Texas Comptroller of Public Accounts Website

OVERLAPPING DEBT DATA AND INFORMATION — TABLE 12

(As of June 30, 2022)

Taxing Body	Gross Debt Principal	% Overlapping	Amount Overlapping
Hull-Daisetta Independent School District	$ 682,000	14.67%	$ 100,049
Liberty County	28,550,000	0.51%	145,605
Total Gross Overlapping Debt			$ 245,654
City of Daisetta	980,000 [(a)]	100.00%	980,000 [(a)]
Total **Gross** Direct and Overlapping Debt Principal			$ 1,225,654 [(a)]

Ratio of Direct and Overlapping Debt to 2021 Freeze Adjusted Taxable Assessed Valuation	3.69% [(a)]
Ratio of Direct and Overlapping Debt to 2021 Actual Market Value	2.40% [(a)]
Per Capita Direct and Overlapping Debt	$1,112 [(a)]

Note: Figures above show **Gross** General Obligation Debt Principal for the City of Daisetta, Texas

The Issuer's **Net** General Obligation Debt Principal — $0 [(a)]

Calculations on **Net** General Obligation Debt Principal would change the above figures as follows:

Total **Net** Direct and Overlapping Debt Principal	$ 245,654 [(a)]
Ratio of Net Direct and Overlapping Debt Principal to 2021 Freeze Adjusted Net Taxable Assessed Valuation	0.74% [(a)]
Ratio of Net Direct and Overlapping Debt Principal to 2021 Actual Market Value	0.48% [(a)]
Per Capita Net Direct and Overlapping Debt Principal	$223 [(a)]

[(a)] *Includes the Bonds and excludes the Refunded Obligations.*
Source: The Municipal Advisory Council of Texas

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES — TABLE 13

Governmental Entity	2021 Net Taxable Assessed Valuation	% of Actual	2021 Tax Rate
Hull-Daisetta Independent School District	$ 269,568,628	100%	$1.06380
Liberty County	7,786,892,367	100%	0.554300

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF THE ISSUER — TABLE 14

Date Authorized	Amount Authorized	Amount Issued	Amount Remaining to be Issued
11/3/2020	$2,120,000	$0	$2,120,000*

** The City intends to issue $2,120,000 (preliminary, subject to change) through the Texas Water Development Board during the second half of 2022. The prospective bonds are expected to be repaid from general obligation debt proceeds authorized at an election held within the City on November 3, 2020.*

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES — TABLE 15

NONE

GENERAL FUND COMBINED STATEMENT OF REVENUES AND EXPENDITURES AND CHANGES IN FUND BALANCES

TABLE 16

	Fiscal Year Ended March 31				
REVENUES:	2021	2020	2019	2018	2017
Ad Valorem Taxes, including Penalties and Interest	$ 176,037	$ 157,904	$ 154,395	$ 143,540	$ 129,572
Sales Tax revenue	83,094	102,685	97,152	110,023	59,086
Franchise Fees	26,073	26,217	24,088	24,286	24,711
Industrial Agreement	155,000	150,000	140,000	135,000	125,000
Police Fines	77,303	50,648	49,718	72,511	88,640
Other Fees	861	2,249	2,714	2,473	7,928
Interest Income	782	746	649	559	474
Miscellaneous	42,046	18,456	9,974	8,210	3,304
Total Revenues	$ 561,196	$ 508,905	$ 478,690	$ 496,602	$ 438,715
EXPENDITURES:					
General Government	$ 137,608	$ 158,172	$ 192,660	$ 130,990	$ 157,299
Police & Municipal Court	203,307	111,020	143,133	163,870	215,855
Streets and General Maintenance	186,213	96,957	30,448	44,544	30,513
Parks and Community Center	10,236	1,472	3,182	7,951	1,144
Total Expenditures	$ 537,364	$ 367,621	$ 369,423	$ 347,355	$ 404,811
Excess (Deficit) of Revenues Over Expenditures	$ 23,832	$ 141,284	$ 109,267	$ 149,247	$ 33,904
OTHER FINANCING SOURCES (USES):					
Grant Revenue	$ -	$ -	$ -	$ 34,329	$ -
Grant Expenditures	-	-	-	(35,262)	-
Total Other Financing Sources (Uses)	$ -	$ -		$ (933)	$ -
Net Change in Fund Balance	$ 23,832	$ 141,284	$ 109,267	$ 148,314	$ 33,904
Fund Balance - April 1 (Beginning)	1,212,506	1,071,222	961,955	813,641	779,737
Fund Balance - March 31 (Ending) [1]	$ 1,236,338	$ 1,212,506	$ 1,071,222	$ 961,955	$ 813,641

Source: The Issuer's Audited Annual Financial Reports

[1] The City's estimated fund balance as of March 31, 2022 was $1,200.000.

	Fiscal Year Ended March 31				
	2021	**2020**	**2019**	**2018**	**2017**
Revenues[a]	$ 358,799	$ 326,284	$ 318,577	$ 310,385	$ 298,756
Expenses[b]	282,127	204,786	199,286	246,001	205,892
Net Revenue Available for Debt Service [c]	$ 76,672	$ 121,498	$ 119,291	$ 64,384	$ 92,864
Annual Debt Service Requirements for Revenue Bonds	$ 65,830	$ 65,798	$ 65,720	$ 65,598	$ 66,453
Coverage of Debt Service	1.16X	1.85X	1.82X	0.98X	1.40X
Customer Count:					
Water	401	401	398	402	402
Sewer	388	388	386	390	389

[a] *Revenues include operating revenues, interest income and other revenues of the Utility System.*

[b] *Expenses include total expenses less depreciation and amortization of the Utility System.*

[c] *Debt payable from System Revenues constitutes self-supporting general obligation debt which is paid from revenues dervied from the Utility System.*

Sources: The Issuer's Annual Audited Financial Reports

The City is currently engaged in plans to obtain new water supply infrastructure in order to replace aging facilities. The City has submitted an application to the Texas Water Development Board for financing and is excpecting to close the transaction in 2022-23.

WATER RATES — TABLE 18

(Based on Monthly Billing)

Effective July 1, 2022

Residential
A user fee of $25.00 per month for the first 2,000 gallons
Then rates are as follows:
For every 1,000 gallons of water is $2.50, then the rate stays at $2.50 per 1,000 gallons of water for each 1,000 gallons used.

Senior citizens and disabled persons receive a 10% discount off of the total amount charged for water.

Commercial
A user fee of $35.00 per month for the first 2,000 gallons
Then rates as follows:
For every 1,000 gallons of water is $5.00, then the rate stays at $5.00 per 1,000 gallons of water for each 1,000 gallons used.

SEWER RATES — TABLE 19

(Based on Monthly Billing)

Effective July 1, 2022

Monthly Rates	
Residential	$30.00 per month
Commercial/Business	$30.00 per month
Senior Citizen	$27.00 per month
Disabled Person	$27.00 per month

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF DAISETTA AND LIBERTY COUNTY, TEXAS

GENERAL INFORMATION

City of Daisetta

The City of Daisetta (the "City") is located in Liberty County along State Highway 770 meets U.S. Highway 90. The City has a total area of 1.5 square miles. The 2022 estimated population is 1,102.

The City provides water and wastewater services and is a general law municipality. As an independent political subdivision of the State of Texas governed by an elected Mayor and Council, the City is considered a primary government.

2022 PRINCIPAL EMPLOYERS

Employer	Employees
Hull-Daisetta Independent School District	31
C&L Vacuum	21
Exxon Mobil	10
HD Pump and Supply	8
Family Dollar	7
City of Daisetta	7
Allegiance Ambulance Service	6
New Source Energy	5
Daisetta Food Mart	4

Liberty County

Liberty County is located in southeast Texas on U.S. Highway 90 halfway between Beaumont and Houston. The County occupies an area of approximately 1,176 square miles and serves a population of approximately 76,000. City of Liberty is the County seat. The County's economy is diversified and has historically been based on mineral production (Oil and gas), agriculture, and lumber. The cities within the County offer may recreational and cultural opportunities.

Liberty County produces diversified crops including rice, sorghum, soybeans, corn, grains, fruits and vegetables. Beef cattle, sheep, poultry, hogs, and goats are raised and honey is produced commercially. Natural resources include timber, oil, natural gas, lignite, sulfur, iron ore, lime, salt, brick clay, and glass sand. Manufacturing facilities include chemicals and machinery.

Labor Force Statistics (1)

	2021(2)	2020 (2)	2019 (2)	2018 (2)	2017 (2)
Civilian Labor Force	34,870	33,582	33,468	32,718	31,982
Total Employed	31,677	30,011	31,793	30,807	29,688
Total Unemployed	3,193	3,571	1,675	1,911	2,294
% Unemployment	9.2%	10.6%	5.0%	5.8%	7.2%
Texas Unemployment	5.7%	7.6%	3.5%	3.9%	4.3%

(1) Source: Texas Workforce Commission.
(2) Average Annual Statistics.

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APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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McCALL PARKHURST & HORTON

Focused on Public Finance since 1919.

August 17, 2022

CITY OF DAISETTA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2022
DATED AS OF AUGUST 1, 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF $980,000

AS BOND COUNSEL FOR CITY OF DAISETTA, TEXAS (the *City*) in connection with the issuance of the bonds described above (the *Bonds*), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds until maturity or prior redemption at the rates and payable on the dates as stated in the text of the Bonds, all in accordance with the terms and conditions stated in the text of the Bonds.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and general laws of the State of Texas and a transcript of certified proceedings of the City, and other pertinent instruments authorizing and relating to the issuance of the Bonds including (i) the ordinance authorizing the issuance of the Bonds (the *Ordinance*), (ii) the Escrow Deposit Letter, dated as of July 11, 2022, between the City and BOKF, NA, Dallas, Texas, as Escrow Agent (the *Escrow Agreement*), (iii) the certificate of sufficiency from SAMCO Capital Markets, Inc., as financial advisor to the City, with respect to the adequacy of certain escrowed funds to accomplish the refunding purposes of the Bonds (the *Certificate of Sufficiency*), (iv) one of the executed Bonds, and (v) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been authorized, issued and delivered in accordance with law; that the Bonds constitute valid and legally binding general obligations of the City in accordance with their terms except as the enforceability thereof may be limited by bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws now or hereafter enacted relating to creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion; that the City has the legal authority to issue the Bonds and to repay the Bonds; and that the Bonds are payable from the levy of a direct and continuing annual ad valorem tax, within the limit prescribed by law, against all taxable property in the City, as provided in the Ordinance.

IT IS FURTHER OUR OPINION that the Escrow Agreement has been duly authorized, executed and delivered by the City and constitutes a binding and enforceable agreement in accordance with its terms and that the "Refunded Obligations" (as defined in the Ordinance) being refunded by the Bonds are outstanding under the ordinance authorizing their issuance only for the purpose of receiving the funds provided by, and are secured solely by and payable solely from, the Escrow Agreement and the cash and investments, including the income therefrom, held by the Escrow Agent pursuant to the Escrow Agreement. In rendering this opinion, we have relied upon the Certificate of Sufficiency concerning the sufficiency of the cash and investments deposited pursuant to the Escrow Agreement for the purpose of paying the principal of, redemption premium, if any, and interest on the Refunded Obligations.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We are further of the opinion that the Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986. In expressing the aforementioned opinions, we have relied on certain representations of the City, the accuracy of which we have not independently verified, and have assumed compliance by the City with certain covenants regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the City fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further given, and are based on our knowledge of facts, as of the date hereof. We assume no duty or obligation to update or supplement our opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the *Service*); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the City, and, in that capacity, we have been engaged by the City for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified, any records, data, or other material relating to the financial condition or capabilities of the City, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and we have relied solely on certificates executed by officials of the City as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the City. Our role in connection with the City's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

Respectfully,

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APPENDIX D

ISSUER’S GENERAL PURPOSE AUDITED FINANCIAL STATEMENTS FOR FISCAL YEAR ENDED MARCH 31, 2021

(Independent Auditor’s Report, Management Discussion and Analysis, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Comprehensive Annual Financial Report for further information.)

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CITY OF DAISETTA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2021

CITY OF DAISETTA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED MARCH 31, 2021

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FINANCIAL SECTION

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SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and Members of the City Council
City of Daisetta, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the City of Daisetta, Texas (the City), as of and for the year ended March 31, 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Daisetta, Texas, as of March 31, 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 and budgetary comparison, pension plan and OPEB information on pages 3 through 9 and 37 through 41 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 schedules identified as the additional Supplementary Information section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The additional supplementary information listed in the table of contents 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, such information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued a report dated May 27, 2022 on our consideration of the City of Daisetta, Texas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.
Liberty, Texas
May 27, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of The City of Daisetta's (the City) annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended March 31, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

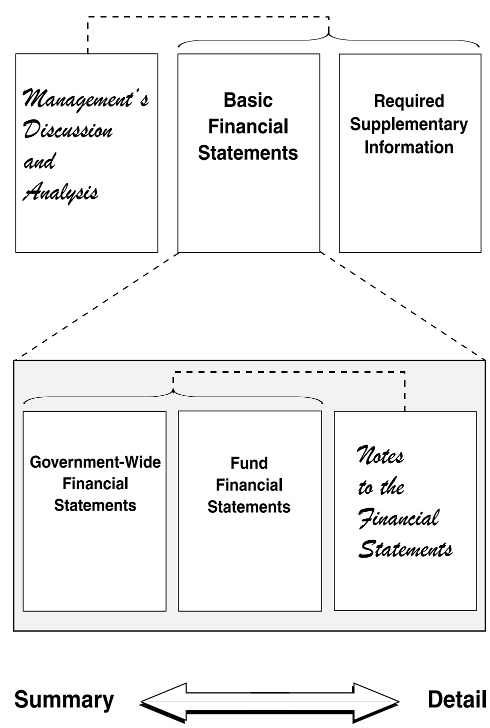
FINANCIAL HIGHLIGHTS

- The City's total combined net position was $5.3 million at March 31, 2021, consistent with the prior year.
- During the year ended March 31, 2021, the City's total expenses of $914.4 thousand were partially offset by $469.0 thousand in charges for services. Approximately $172.2 thousand in taxes (including penalties and interest), $26.1 thousand in franchise fees, $155.0 thousand from an industrial agreement, and $83.1 thousand in sales taxes were generated to cover the remaining expenses. This compares to total expenses of $747.9 thousand and total revenues of $845.8 thousand for the year ended March 31, 2020.
- As of March 31, 2021, the general fund reported a fund balance of $1.2 million which remained consistent with the year ended March 31, 2020.
- The general fund increased capital expenditures to $148 thousand for 2021, primarily investing in the street infrastructure of the City.

OVERVIEW OF THE FINANCIAL STATEMENTS

In accordance with GASB Statement No. 34 – *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*, the basic financial statements include both government-wide and fund financial statements. Additionally, the City implemented GASB Statement No. 63 – *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, which amends the net asset reporting requirements of GASB Statement No. 34 by incorporating deferred inflows and outflows of resources into the required components of the residual measure and renaming that measure as net position. The basic financial statements of the City include (a) Management's Discussion and Analysis, (b) Government-wide Financial Statements, (c) Fund Financial Statements, (d) Notes to Financial Statements; and (e) Required Supplementary Information. The basis of presentation and the basis of accounting for the government-wide and fund financial statements is discussed below:

Figure A-1, Required Components of the City's Annual Financial Report



- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to one another.

Figure A-2 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Figure A-2. Major Features of the City's Government-wide and Fund Financial Statements

Type of Statements	**Government-wide**	**Governmental Funds**	**Proprietary Funds**
Scope	Entire City's government	The activities of the City that are not proprietary or fiduciary	Activities the City operates similar to private businesses
Required financial statements	▪ Statement of Net Position ▪ Statement of Activities	▪ Balance Sheet ▪ Statement of Revenues, Expenditures & Changes in Fund Balances	▪ Statement of Net Position ▪ Statement of Revenues, Expenses and Changes in Net Position ▪ Statement of Cash Flows
Accounting basis & measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's financial statement elements. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how they have changed. Net position—the difference between the City's assets, liabilities and deferred inflows and outflows of resources—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.

- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities* and *Business-type activities*. *Governmental activities* include the City's basic services such as general government, public safety, municipal court, recreation and streets. Property taxes and franchise taxes finance most of these activities. The *Business-type activities* include water, wastewater, and gas utility services and are financed through user charges.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental Funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary Funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was $5.3 million at March 31, 2021, consistent with the prior year. (See Table A-1).

Table A-1

City's Net Position

(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Assets:							
Cash	$880.7	$894.1	$267.4	$275.4	$1,148.1	$1,169.5	-1.8%
Investments	32.0	-	98.0	97.6	130.0	97.6	33.2%
Accounts Receivable, Net	-	-	37.7	31.4	37.7	31.4	20.1%
Taxes Receivable, Net	88.5	92.4	-	-	88.5	92.4	-4.2%
Due from State	18.2	15.7	-	-	18.2	15.7	15.9%
Due from Other Governments	2.1	1.1	-	-	2.1	1.1	90.9%
Internal Balances	298.9	295.2	(298.9)	(295.2)	-	-	0.0%
Restricted Assets:							
Cash	6.5	5.2	40.3	37.9	46.8	43.1	8.6%
Investments	-	-	43.4	42.1	43.4	42.1	3.1%
Capital Assets, Net	464.1	352.6	4,354.5	4,514.5	4,818.6	4,867.1	-1.0%
Net Pension Asset	62.5	56.9	-	-	62.5	56.9	9.8%
Total Assets	1,853.5	1,713.2	4,542.4	4,703.7	6,395.9	6,416.9	-.3%
Deferred Outflows of Resources	16.5	20.7	-	-	16.5	20.7	-20.3%
Liabilities:							
Accounts Payable	6.2	4.0	2.4	5.9	8.6	9.9	-13.1%
Payroll Tax Payable	1.6	0.7	-	-	1.6	0.7	128.6%
Due to State	4.5	4.4	-	-	4.5	4.4	2.3%
Accrued Interest Payable	-	-	5.2	5.3	5.2	5.3	-1.9%
Service Deposits	-	-	43.4	42.1	43.4	42.1	3.1%
Long-Term Liabilities:							
Due Within One Year	-	-	23.0	22.0	23.0	22.0	4.5%
Due in More Than One Year	33.3	28.3	939.8	962.8	973.1	991.1	-1.8%
Total Liabilities	45.6	37.4	1,013.8	1,038.1	1,059.4	1,075.5	-1.5%
Deferred Inflows of Resources	25.7	36.6	-	-	25.7	36.6	-29.8%
Net Position:							
Net Investment in Capital Assets	464.1	352.6	3,391.6	3,529.7	3,855.7	3,882.3	-0.7%
Restricted for Debt Service	-	-	35.1	32.6	35.1	32.6	7.7%
Restricted Other	6.5	5.2	-	-	6.5	5.2	25.0%
Unrestricted	1,328.1	1,302.1	101.9	103.3	1,430.0	1,405.4	1.7%
Total Net Position	$1,798.7	$1,659.9	$3,528.6	$3,665.6	$5,327.3	$5,325.5	0.1%

At March 31, 2021, the City had invested $3.9 million in capital assets, net of related debt. The $1.4 million of unrestricted net position represents resources available to fund the programs of the City next year. This compares to $3.9 million in capital assets, net of related debt, and $1.4 million of unrestricted net position at March 31, 2020. The City had net position restricted for debt service in both years of $35.1 thousand and $32.6 thousand, respectively.

The City also had net position restricted for security, technology, and other expenses in both years of $6.5 thousand and $5.2 thousand, respectively.

Changes in net position. For the year ended March 31, 2021, the City's net position increased slightly. The City's total revenues were $0.9 million. A significant portion, 52%, of the City's revenue came from charges for services. Other revenues were generated by property taxes (19%), franchise fees (3%), sales taxes (9%), and an industrial agreement (17%) (See Figure A-3). The total cost of all programs and services was $0.9 million; 54% of these costs were for the utility system, 15% for general government expenses, 22% for police and municipal court, 7% for streets and general maintenance, and 2% for the community center and parks.

This compares to total revenues of $0.8 million for the year ended March 31, 2020. 45% of that revenue came from charges for services. Other revenues were generated by an industrial agreement (18%), property taxes (20%), sales tax (12%), and franchise fees (3%). The total cost of all programs and services was $0.8 million for the year ended March 31, 2020; 22% of these costs were for general government expenses, 16% were for the police department and municipal courts, 5% for streets and general maintenance, 1% for parks and 56% for the utility services.

Figure A-3 Source of City Revenues

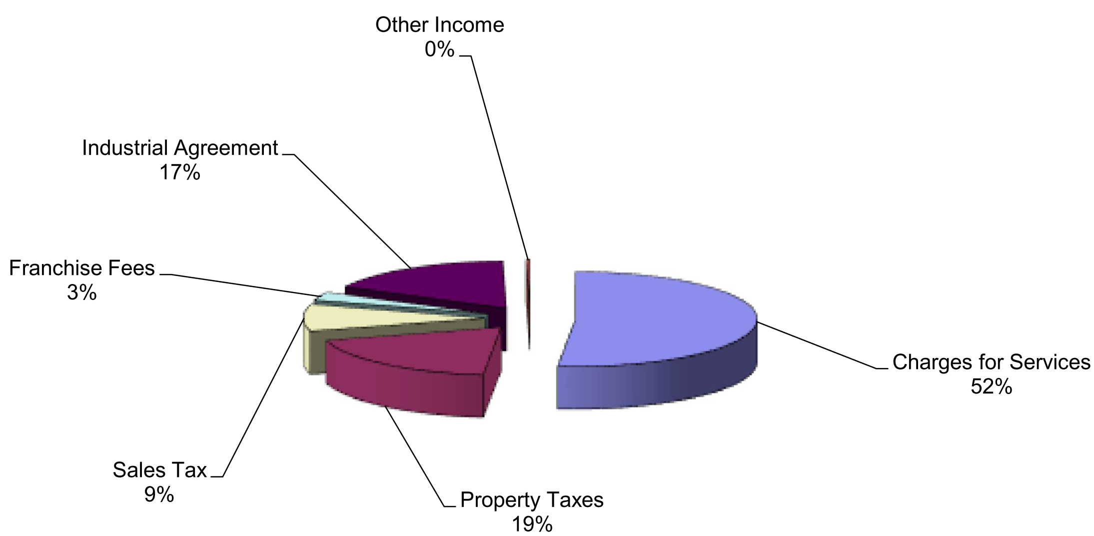


Table A-2

Changes in the City's Net Position

(in thousands of dollars)

	Governmental Activities 2021	Governmental Activities 2020	Business-type Activities 2021	Business-type Activities 2020	Total 2021	Total 2020	% Change 2021-2020
Program Revenues:							
Charges for Services -							
Governmental Activities	$110.9	$52.9	-	-	$110.9	$52.9	109.6%
System Utility	-	-	$356.8	$326.3	356.8	326.3	9.3%
General Revenues:							
Property Taxes	172.2	167.6	-	-	172.2	167.6	2.7%
Franchise Fees	26.1	26.2	-	-	26.1	26.2	-0.4%
Sales Tax Revenue	83.1	102.7	-	-	83.1	102.7	-19.1%
Industrial Agreement	155.0	150.0	-	-	155.0	150.0	3.3%
Investment Income	0.7	0.7	2.0	0.9	2.7	1.6	68.8%
Other	9.3	18.5	-	-	9.3	18.5	-99.5%
Total Revenues	557.4	518.6	358.8	327.2	916.2	845.8	7.2%
Expenses by Functions/							
General Government	140.4	158.6	-	-	140.4	158.6	-11.5%
Police & Municipal Court	203.0	121.8	-	-	203.0	121.8	66.7%
Streets & General Maint	64.9	40.8	-	-	64.9	40.8	59.1%
Parks	5.0	4.9	-	-	5.0	4.9	2.0%
Community Center	5.3	-	-	-	5.3	-	100.0%
System Utility	-	-	495.8	421.8	495.8	421.8	17.5%
Total Expenses	418.6	326.1	495.8	421.8	914.4	747.9	22.3%
Change in Net Position	138.8	192.5	(137.0)	(94.6)	1.8	97.9	-107.7%
Net Position – Beginning	1,659.9	1,467.4	3,665.6	3,760.2	5,325.5	5,227.6	1.9%
Net Position – Ending	$1,798.7	$1,659.9	$3,528.6	$3,665.6	$5,327.3	$5,325.5	0.0%

Table A-3 presents the cost of each of the City's largest governmental-type functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what general revenues funded, such as local tax dollars and franchise fees. The total cost of all governmental activities for the year ended March 31, 2021 was $418.6 thousand. These costs include $36.7 thousand of depreciation of the City's capital assets. The governmental activities were paid for through property taxes $172.2 thousand, franchise fees $26.1 thousand, sales taxes $83.1 thousand, industrial agreement $155.0 thousand, and other general income sources $45.2 thousand. The governmental activities experienced a positive change in net position of $195.7 thousand for the year ended March 31, 2021. This compares to total revenues of $518.6 thousand and total expenses of $326.1 thousand for the year ended March 31, 2020.

Table A-3

Net Cost of Selected Governmental-Type City Functions

(in thousands of dollars)

	Total Cost of Services 2021	Total Cost of Services 2020	% Change 2021-2020	Net Cost of Services 2021	Net Cost of Services 2020	% Change 2021-2020
General Government	$140.4	$158.6	-11.5%	$106.7	$156.4	-31.8%
Police & Municipal Court	203.0	121.8	66.7%	125.7	71.2	76.5%
Streets & General Maintenance	64.9	40.8	59.1%	64.9	40.8	59.1%
Parks	5.0	4.9	2.0%	4.1	4.9	-16.3%
Community Center	5.3	-	100.0%	(0.1)	-	100.0%
Total	$418.6	$326.1	28.4%	$301.3	$273.3	10.2%

Business-type Activities

Operating revenues for the City's business-type activities were $358.8 thousand for the year ended March 31, 2021, compared to $327.2 thousand in the prior year. Expenses increased $74.0 thousand in 2021 primarily due to engineering costs for a rate study and an increase in purchased water compared to 2020. Expenses include depreciation of $171.2 thousand for 2021.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues for the City's governmental fund types (the General Fund) increased $52.3 thousand (10%) from 2020 to 2021, with total revenues of $561.2 thousand for the year ended March 31, 2021. The higher revenues were primarily reflected in all major revenue areas of the general fund. Governmental expenditures increased $169.7 thousand from 2020 to 2021, with total expenditures of $537.4 thousand for the year ended March 31, 2021. The higher expenditures included additional street capital expenditures and maintenance costs that were $89 thousand (92%) higher than the prior year. Additionally, police expenditures increased $92 thousand (83%) over the prior year.

General Fund Budgetary Highlights

The City revised its budget during 2021 as needed. Actual revenue amounts were higher than budgeted amounts by $8.0 thousand (1.4%). Operating expenditures were 2.9% lower than budgeted primarily due to lower costs overall.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021 the City had invested $8.7 million in a broad range of capital assets, including land, utility systems, buildings, vehicles, furniture and equipment, and infrastructure. (See Table A-4.)

Table A-4
City's Capital Assets
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Land	$100.2	$100.2	$83.7	$83.7	$183.9	$183.9	0.0%
Building	158.8	152.5	42.0	42.0	200.8	194.5	3.2%
Infrastructure	576.6	445.4	-	-	576.6	445.4	29.5%
Utility Systems	-	-	6,646.8	6,635.7	6,646.8	6,635.7	0.2%
Gas Lines	-	-	493.3	493.3	493.3	493.3	0.0%
Vehicles	123.6	123.6	48.7	48.7	172.3	172.3	0.0%
Furniture & Equipment	177.2	166.5	286.1	286.1	463.3	452.6	2.4%
Totals at Historical Cost	1,136.4	988.2	7,600.6	7,589.5	8,737.0	8,577.7	1.9%
Total Accumulated Depreciation	(672.3)	(635.6)	(3,246.2)	(3,075.0)	(3,918.5)	(3,710.6)	5.6%
Net Capital Assets	$464.1	$352.6	$4,354.4	$4,514.5	$4,818.5	$4,867.1	-1.0%

Long Term Debt

At year-end, the City had $1.0 million in debt outstanding as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements. Due to the limited size of the City's bond issuance, the City did not receive a credit rating by Moody's Investor Services.

Table A-5
City's Long Term Debt
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total		Total Percentage Change
	2021	2020	2021	2020	2021	2020	2021-2020
Bonds Payable, 2005 Series	$-	$-	$962.8	$984.8	$962.8	$984.8	-2.2%
Total Bonds Payable	$-	$-	$962.8	$984.8	$962.8	$984.8	-2.2%

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

- Due to the date of the City's year-end, the Council must approve the 2021 budget prior to the City receiving certified appraised values. The City amends its budget upon receipt of the final property valuation and determination of the final tax rate. There are no new programs provided for in the budget.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City office.

BASIC FINANCIAL STATEMENTS

CITY OF DAISETTA, TEXAS
STATEMENT OF NET POSITION
MARCH 31, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$880,749	$267,420	$1,148,169
Investments	32,024	97,953	129,977
Accounts Receivable, Net	-	37,698	37,698
Taxes Receivable, Net	88,506	-	88,506
Due from State	18,219	-	18,219
Due from Other Governments	2,081	-	2,081
Internal Balances	298,850	(298,850)	-
Restricted Assets:			
Cash	6,513	40,265	46,778
Investments	-	43,432	43,432
Capital Assets, Net	464,067	4,354,448	4,818,515
Net Pension Asset	62,530	-	62,530
TOTAL ASSETS	1,853,539	4,542,366	6,395,905
DEFERRED OUTFLOWS OF RESOURCES	16,513	-	16,513
LIABILITIES			
Accounts Payable	6,238	2,368	8,606
Payroll Taxes Payable	1,596	-	1,596
Due to State	4,578	-	4,578
Accrued Interest Payable	-	5,193	5,193
Service Deposits	-	43,432	43,432
Long-term Liabilities:			
Due Within One Year	-	23,000	23,000
Due In More Than One Year	33,288	939,828	973,116
TOTAL LIABILITIES	45,700	1,013,821	1,059,521
DEFERRED INFLOWS OF RESOURCES	25,701	-	25,701
NET POSITION			
Net Investment in Capital Assets	464,067	3,391,620	3,855,687
Restricted for Debt Service	-	35,072	35,072
Restricted for Security, Technology & Other	6,513	-	6,513
Unrestricted	1,328,071	101,853	1,429,924
TOTAL NET POSITION	$1,798,651	$3,528,545	$5,327,196

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

CITY OF DAISETTA, TEXAS
STATEMENT OF ACTIVITIES
YEAR ENDED MARCH 31, 2021

		Program Revenues		
	Expenses	Charges for Services	Operating Grants	Capital Grants and Contributions
Functions/Programs				
Primary Government:				
Government Activities:				
General Government	$140,352	$33,631	-	-
Police & Municipal Court	203,001	77,303	-	-
Streets & General Maintenance	64,900	-	-	-
Parks	5,047	-	-	$905
Community Center	5,260	-	-	5,450
Total Governmental Activities	418,560	110,934	-	6,355
Business-Type Activities:				
System Utility	495,816	356,757	-	-
Total Business-Type Activities	495,816	356,757	-	-
Totals	$914,376	$467,691	-	$6,355

General Revenues
Property Taxes Levied For:
General Purposes
Sales Tax Revenue
Franchise Fees
Industrial Agreement
Miscellaneous Income
Investment Income
Total General Revenues

Transfers

Changes in Net Position
Net Position, Beginning of Year
Net Position, End of Year

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

Net (Expenses) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$(106,721)	-	$(106,721)
(125,698)	-	(125,698)
(64,900)	-	(64,900)
(4,142)	-	(4,142)
190	-	190
(301,271)	-	(301,271)
-	$(139,059)	(139,059)
-	(139,059)	(139,059)
(301,271)	(139,059)	(440,330)
172,192	-	172,192
83,094	-	83,094
26,073	-	26,073
155,000	-	155,000
2,921	-	2,921
782	2,042	2,824
440,062	2,042	442,104
-	-	-
138,791	(137,017)	1,774
1,659,860	3,665,562	5,325,422
$1,798,651	$3,528,545	$5,327,196

CITY OF DAISETTA, TEXAS
BALANCE SHEET – GOVERNMENTAL FUND
MARCH 31, 2021

	General Fund
ASSETS	
Cash	$880,749
Investments	32,024
Taxes Receivable – Delinquent	138,470
Less: Allowance for Uncollectible Taxes	(49,964)
Interfund Receivable	298,850
Due from State	18,219
Due from Other Governments	2,081
Restricted Cash	6,513
TOTAL ASSETS	1,326,942
DEFERRED OUTFLOWS OF RESOURCES	-
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	$1,326,942
LIABILITIES	
Accounts Payable	$6,238
Payroll Taxes Payable	1,596
Due to State	4,578
TOTAL LIABILITIES	12,412
DEFERRED INFLOWS OF RESOURCES	
Unavailable Revenue – Property Taxes	78,192
TOTAL DEFERRED INFLOWS OF RESOURCES	78,192
FUND BALANCE	
Restricted	6,513
Assigned	1,770
Unassigned	1,228,055
TOTAL FUND BALANCE	1,236,338
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$1,326,942

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

CITY OF DAISETTA, TEXAS
RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
YEAR ENDED MARCH 31, 2021

TOTAL GOVERNMENTAL FUND BALANCE	$1,236,338
Amounts reported for governmental activities in the statement of net position (SNP) are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	464,067
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	78,192
Net pension assets are not available to pay for current period expenditures and, therefore are not reported in the funds.	62,530
Pension related deferred outflows of resources and deferred inflows of resources are not reported in the funds, as follows:	
Deferred outflows of resources	11,418
Deferred inflows of resources	(22,356)
Net OPEB liabilities are not due and payable in the current period and, therefore are not reported in the funds.	(33,288)
OPEB related deferred outflows of resources and deferred inflows of resources are not reported in the funds, as follows:	
Deferred outflows of resources	5,095
Deferred inflows of resources	(3,345)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$1,798,651

CITY OF DAISETTA, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
YEAR ENDED MARCH 31, 2021

	General Fund
REVENUES:	
Ad Valorem Taxes, including Penalties and Interest	$176,037
Sales Tax Revenue	83,094
Franchise Fees	26,073
Industrial Agreement	155,000
Police Fines	77,303
Other Fees	861
Interest Income	782
Miscellaneous	42,046
TOTAL REVENUES	561,196
EXPENDITURES:	
General Government	137,608
Police & Municipal Court	203,307
Streets & General Maintenance	186,213
Parks	4,976
Community Center	5,260
TOTAL EXPENDITURES	537,364
EXCESS (DEFICIT) OF REVENUES OVER EXPENDITURES	23,832
OTHER FINANCING SOURCES AND USES	
	-
NET CHANGES IN FUND BALANCE	23,832
FUND BALANCE, BEGINNING OF YEAR	1,212,506
FUND BALANCE, END OF YEAR	$1,236,338

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

CITY OF DAISETTA, TEXAS

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

FOR THE YEAR ENDED MARCH 31, 2021

NET CHANGES IN FUND BALANCE – TOTAL GOVERNMENTAL FUNDS	$23,832
Amounts reported for governmental activities in the statement of activities (SOA) are different because:	
Capital outlays are not reported as expenses in the SOA.	148,123
The depreciation of capital assets used in the governmental activities is not reported in the funds.	(36,699)
Certain property taxes are deferred in the funds. This is the change in these amounts this year.	(3,845)
Change in net pension obligation and deferred outflows and inflows related to pensions are not reported in the funds but are reported as expenses in the SOA.	10,121
Change in net OPEB liability and deferred outflows and inflows related to OPEBs are not reported in the funds but are reported as expenses in the SOA.	(2,741)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$138,791

CITY OF DAISETTA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
MARCH 31, 2021

	Business-Type Activities – Enterprise Fund
	System Utility Fund
ASSETS	
CURRENT ASSETS:	
Cash	$267,420
Investments	97,953
Accounts Receivable, Net	37,698
Restricted Assets:	
Cash	40,265
Investments	43,432
TOTAL CURRENT ASSETS	486,768
Property, Plant and Equipment, Net	4,354,448
TOTAL ASSETS	4,841,216
DEFERRED OUTFLOWS OF RESOURCES	-
LIABILITIES	
CURRENT LIABILITIES:	
Accounts Payable	2,368
Interfund Payable	298,850
Payable from Restricted Assets:	
Accrued Interest Payable	5,193
Service Deposits	43,432
Current Maturities of Long-term Debt	23,000
TOTAL CURRENT LIABILITIES	372,843
Long-term Debt (Net of Current Portion)	939,828
TOTAL LIABILITIES	1,312,671
DEFERRED INFLOWS OF RESOURCES	-
NET POSITION	
Net Investment in Capital Assets	3,391,620
Restricted for Debt Service	35,072
Unrestricted	101,853
TOTAL NET POSITION	$3,528,545

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

CITY OF DAISETTA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION– PROPRIETARY FUND
YEAR ENDED MARCH 31, 2021

	Business-Type Activities – Enterprise Fund
	System Utility Fund
OPERATING REVENUES:	
Charges for Services, net	$337,713
Late Fees	13,349
Connection Fees and Other	5,695
TOTAL OPERATING REVENUES	356,757
OPERATING EXPENSES:	
Personnel Costs	75,534
Contract Services	22,756
Repairs and Supplies	45,035
Testing and Permits	14,147
Purchased Gas and Water	85,450
Utilities	13,781
Auto Expense	7,031
Administrative Costs	13,765
Other Expenses	4,628
TOTAL OPERATING EXPENSES	282,127
OPERATING INCOME BEFORE DEPRECIATION	74,630
LESS: Depreciation	(171,203)
NET OPERATING INCOME (LOSS)	(96,573)
NONOPERATING REVENUES (EXPENSES):	
Investment Income	2,042
Interest Expense	(42,486)
TOTAL NONOPERATING REVENUES (EXPENSES)	(40,444)
CHANGES IN NET POSITION	(137,017)
NET POSITION, BEGINNING OF YEAR	3,665,562
NET POSITION, END OF YEAR	$3,528,545

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

CITY OF DAISETTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED MARCH 31, 2021

	Business-Type Activities – Enterprise Fund System Utility Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$351,825
Cash Paid to Suppliers for Goods and Services	(206,478)
Cash Received From Other Funds	-
Cash Paid to Employees for Services	(75,534)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	69,813
CASH FLOWS FROM CAPITAL & RELATED FINANCING ACTIVITIES	
Bond Principal Paid	(22,000)
Interest Paid on Debt	(42,605)
Acquisition/Construction of Capital Assets	(11,121)
NET CASH PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(75,726)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	-
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Cash and Investments	2,042
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	2,042
NET INCREASE (DECREASE) IN CASH & INVESTMENTS	(3,871)
CASH & INVESTMENTS, BEGINNING OF YEAR	452,941
CASH & INVESTMENTS, END OF YEAR	$449,070

Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Net Operating Income (Loss)	$(96,573)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities -	
Depreciation	171,203
(Increase) Decrease in:	
Accounts Receivable	(6,316)
Increase (Decrease) in:	
Accounts Payable	(3,544)
Interfund Payable	3,659
Service Deposits	1,384
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	$69,813

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Daisetta (the City) was organized under the laws of the State of Texas. The City operates under an elected Mayor/Council form of government. The City is governed by the mayor and a five-member council elected by registered voters of the City. The City's major operations include public safety, municipal court activities, maintenance of streets, recreation, planning and general administrative services. Additionally, the City operates a utility fund for the provision of utilities including water, wastewater and gas utility services. Following is a summary of the City's more significant accounting policies.

The basic financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity –

The City's financial statements include the accounts of all City operations. The measure for including organizations as component units of the City was made by applying the criteria set forth in generally accepted accounting principles. The basic, but not the only, criteria for inclusion are the degree of oversight responsibility maintained by the City Council. Examples of oversight responsibility include financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Based on these criteria, there are no component units included in these statements.

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation –

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.

Government-Wide Statements: The Statement of Net Position and the Statement of Activities include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed through user charges.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements: Fund financial statements report detailed information about the City. Separate financial statements are provided for governmental funds and proprietary funds. The focus of governmental and proprietary fund financial statements is on the major funds rather than reporting funds by type. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements. For fiscal year 2021, the City only has one governmental fund (the General Fund) and one proprietary fund (the System Utility Fund).

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental Fund Types: All governmental funds are reported using modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become 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. Property taxes receivable, though measurable, are not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded and deferred until they become available. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt, which has not matured, are recognized only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds. The funds included in this category are as follows:

General Fund – This fund is the general operating fund of the City and is used to account for resources and functions traditionally associated with governments that are not required to be accounted for in another fund.

Special Revenue Funds – These funds are established to account for the proceeds of specific revenue sources other than assessments, expendable trusts, or major capital projects that are legally restricted to expenditures for specified purposes. The City did not have any special revenue funds as of March 31, 2021.

Debt Service Fund – This fund is used to account for the accumulation of resources for, and the payment of, all general obligation indebtedness not serviced by the proprietary funds. The City did not have any debt service funds as of March 31, 2021.

Capital Projects Funds – These funds are used to account for all major capital expenditures not financed by the proprietary or trust funds. The City did not have any capital projects funds as of March 31, 2021.

Proprietary Fund Types: All proprietary funds are accounted for using the accrual basis of accounting and the economic resources measurement focus. These funds account for operations that are primarily financed by user charges. Revenues are recognized when earned and expenses are recognized when incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating expenses of the City's proprietary fund include the cost of services, administrative expenses, and depreciation of capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's fund included in this category is the System Utility Fund. The System Utility Fund is used to account for operations financed and operated in a manner similar to private business enterprises, where the intent of the Council is that the cost of providing certain goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges for those services.

C. Use of Estimates –

The preparation of financial statements in conformity with generally accepted accounting principles, as applicable to governmental entities, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

D. Budgets and Budgetary Accounting –

Prior to March 31, of each year, the City adopts a budget for the fiscal year beginning April 1, of that year. The budget, which includes anticipated revenues and expenditures, is adopted for the General Fund and the System Utility Fund. The annual budget for the General Fund is prepared in accordance with the modified accrual basis of accounting. The annual budget for the System Utility Fund is prepared in accordance with the accrual basis of accounting. The budgets are amended by the Council as needed throughout the year.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Interfund Transactions and Balances –

Interfund transactions intended to reflect the transfer of resources between funds are reflected as transfers. Certain transactions representing short-term liabilities between funds are recorded as receivables and payables in the respective funds at the time the transactions are reported on the fund basis statements.

F. Cash and Certificate of Deposits–

Cash in excess of current operating requirements is invested in certificate of deposits in order to earn a higher rate of interest. The City generally does not invest in any other securities. For purposes of the statement of cash flows, the proprietary fund type considers all highly liquid investments with a maturity of one year or less when purchased to be cash equivalents. Cash deposits and certificates of deposit are reported at their carrying amount, which reasonably estimates fair value.

G. Accounts Receivable –

System Utility Fund accounts receivable at March 31, 2021, is presented net of an allowance for doubtful accounts of $19,250.

H. Restricted Assets –

Restricted Assets in the General Fund consist primarily of cash restricted for use in building security and technology of $6,513 that was collected as part of law enforcement activities which are required to be maintained separately and spent within guidelines. Restricted assets in the System Utility Fund consist of (1) cash restricted for utility deposits of $43,432, which will be repaid to customers when utility services cease, and (2) interest and sinking deposits of $40,265 for future debt service. The City utilizes restricted resources for expenses, if available, before unrestricted resources are used.

I. Capital Assets and Depreciation –

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. Infrastructure such as streets, traffic signals and signs are capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. The minimum capitalization threshold is any individual item with a total cost greater than $1,500.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation basis for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Capital assets are being depreciated using the straight-line method when placed into service and depreciation expense for governmental assets is specifically identified by function. Depreciation expense for the proprietary fund is recorded in that fund. The following estimated useful lives are used for calculating depreciation expense:

	Depreciable Life
Utility System	15-40
Equipment	5-10
Vehicles	5-7
Infrastructure	15-40
Buildings & Improvements	15-40
Furniture & Fixtures	3-5

J. Deferred Outflows/Inflows of Resources –

In addition to assets, the statement of financial position and/or balance sheet sometimes includes 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.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an addition to net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

K. Fund Balances –

Governmental Accounting Standards Board (GASB) Statement No. 54-*Fund Balance Reporting and Government Fund Type Definitions* establishes fund balance classifications based primarily on the extent to which the City is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedures.

In the fund financial statements, governmental fund balances are classified as nonspendable, restricted, committed, assigned, or unassigned. Nonspendable fund balance cannot be spent because of its form. Restricted fund balance has limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions. Committed fund balance is a limitation imposed by the City Council through approval of resolutions. Assigned fund balances is a limitation imposed by a designee of the City Council. Unassigned fund balance in the General Fund is the net resources in excess of what can be properly classified in one of the above four categories. Negative unassigned fund balance in any other governmental funds represents excess expenditures incurred over the amounts restricted, committed, or assigned to those purposes.

When both restricted and unrestricted fund balances are available for use, it is the City's policy to use restricted fund balance first, then unrestricted fund balance. Furthermore, committed fund balances are reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications can be used.

For the government-wide financial statements, net position are reported as restricted when constraints placed on net position are either: (1) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation.

L. Net Position –

Net positions represent the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the city-wide financial statements. Net positions are classified in the following categories:

Net investment in capital assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

M. Pensions and Other Postemployment Benefits–

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

NOTE 2 – COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions –

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

Violation	Action Taken
None Reported	Not applicable

B. Deficit Fund Balance or Fund Net Position of Individual Funds –

Following are funds having deficit fund balances or fund net position at year-end, if any, along with remarks that address such deficits:

Fund Name	Deficit Amount	Remarks
None	Not applicable	N/A

NOTE 3 – CASH DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

A. Cash Deposits –

At March 31, 2021, the carrying amount of the City's deposits (cash and certificates of deposit included in investments) was $1,368,356 and the bank balance was $1,421,815. The City's cash deposits at March 31, 2021, and during the year ended March 31, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

B. Investments –

The City is required by Government Code Chapter 2256, the Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Public Funds Investment Act (Act) requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the basic financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments that are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) securities lending program, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper.

NOTE 3 – CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The City's investments at March 31, 2021, are shown below:

Investment	Carrying Amount	Market Value
Certificates of Deposit:		
Texas First Bank – 0.30% (General Fund)	$32,024	$32,024
Texas First Bank – 0.45% (System Utility Fund)	41,213	41,213
Texas First Bank – 0.30% (System Utility Fund)	57,149	57,149
Texas First Bank – 0.05% (System Utility Fund)	43,023	43,023
	$173,409	$173,409

C. Analysis of Specific Deposit and Investment Risks –

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year-end and if so, the reporting of certain related disclosures:

1. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At March 31, 2021, the City's investments were covered by collateral with a fair value equal to the investment. At year-end, the City was not significantly exposed to credit risk. At March 31, 2021, all certificates of deposit held were fully insured by the FDIC, or by pledged collateral held by the City's agent bank in the City's name.

2. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year-end, the City was not exposed to custodial credit risk.

3. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year-end, the following investments exceeded 5% of total investments:

Investment	Carrying Amount
Certificates of Deposit:	
Texas First Bank – 0.30%	$32,024
Texas First Bank – 0.45%	41,213
Texas First Bank – 0.30%	57,149
Texas First Bank – 0.05%	43,023
	$173,409

4. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to interest rate risk.

5. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year-end, the City was not exposed to foreign currency risk.

NOTE 4 – PROPERTY TAXES

Taxable property within the City is subject to assessment, levy and collection of ad valorem taxes necessary to provide for the payment of general obligation indebtedness, and to support the general governmental services provided. The tax rate for the fiscal year ended March 31, 2021, was $0.5558 per $100 assessed valuation based on the total net assessed value of $31,305,768.

Property taxes are levied by October 1 based on appraised property values at January 1. Taxes are due upon receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. The City recognizes property tax revenue when levied to the extent that it results in current receivables. Property taxes are collected and remitted to the City by the Liberty County Tax Assessor Collector's office.

Allowances for uncollectible taxes receivable of $49,964 at March 31, 2021, are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

NOTE 5 – DUE TO/FROM OTHER FUNDS

As of March 31, 2021, interfund receivable and payable consisted of the following:

Due from Fund	Due to Fund	Amount	Purpose
System Fund	General Fund	$298,850	Short-term financing

The interfund receivable/payable is scheduled to be repaid within one year.

NOTE 6 – DUE FROM STATE / OTHER GOVERNMENTS

At March 31, 2021, amounts due from other governments consisted of the following:

	General Fund	System Fund	Total	Description
Due from Liberty County, Texas	$2,081	-	$2,081	Tax Assessor Collection
Due from State of Texas	18,219	-	18,219	Sales Tax Collections
	$20,300	-	$20,300	

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT

Capital asset activity for the year ended March 31, 2021, was as follows:

	Beginning Balances	Increases	Decreases & Other	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	$100,171	-	-	$100,171
Total Capital Assets Not Being Depreciated	100,171	-	-	100,171
Capital Assets Being Depreciated:				
Building	152,501	$6,335	-	158,836
Infrastructure	445,475	131,094	-	576,569
Vehicles	123,616	-	-	123,616
Furniture and Equipment	166,512	10,694	-	177,206
Total Capital Assets Being Depreciated	888,104	148,123	-	1,036,227
Less Accumulated Depreciation for:				
Building	42,676	4,304	-	46,980
Infrastructure	371,207	9,781	-	380,988
Vehicles	99,261	7,067	-	106,328
Furniture and Equipment	122,488	15,547	-	138,035
Total Accumulated Depreciation	635,632	36,699	-	672,331
Total Capital Assets Being Depreciated, Net	252,472	111,424	-	363,896
Governmental Activities Capital Assets, Net	$352,643	$111,424	-	$464,067

Depreciation was charged to functional expenditures as follows:

Governmental Activities:	
General Government	$16,024
Police and Municipal Court	7,438
Streets and General Maintenance	9,781
Parks	3,456
Total Depreciation Expense	$36,699

NOTE 7 – PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Beginning Balances	Increases	Decreases & Other	Ending Balances
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	$83,650	-	-	$83,650
Total Capital Assets Not Being Depreciated	83,650	-	-	83,650
Capital Assets Being Depreciated:				
Buildings	41,936	-	-	41,936
Water and Sewer System	6,635,759	$11,121	-	6,646,880
Gas Lines	493,327	-	-	493,327
Vehicles	48,743	-	-	48,743
Furniture and Equipment	286,129	-	-	286,129
Total Capital Assets Being Depreciated	7,505,894	11,121	-	7,517,015
Less Accumulated Depreciation for:				
Buildings	25,081	2,097	-	27,178
Water and Sewer System	2,239,545	162,674	-	2,402,219
Gas Lines	491,662	205	-	491,867
Vehicles	39,749	4,299	-	44,048
Furniture and Equipment	278,977	1,928	-	280,905
Total Accumulated Depreciation	3,075,014	171,203	-	3,246,217
Total Capital Assets Being Depreciated, Net	4,430,880	(160,082)	-	4,270,798
Business-type Activities Capital Assets, Net	$4,514,530	$(160,082)	-	$4,354,448

Depreciation expense of $171,203 was charged to the System Fund.

NOTE 8 – FRANCHISE FEES

The City has granted franchise rights and receives franchise fees from Entergy, Verizon, and various telecommunications companies.

NOTE 9 – LONG-TERM DEBT

During the year ended March 31, 2008, the City was awarded a $1.2 million low interest rate loan from the United States Department of Agriculture (USDA) as part of the financing for sewer development projects. Under the terms of the loan with the USDA, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2005, in the aggregate principal amount of $1,199,000 payable in annual installments until fiscal year end March 31, 2045, at 4.50% interest. Interest is payable in semi-annual payments on February 15 and August 15 each year. The certificates of obligation will be repaid through user charges. The debt service activity is accounted for through the System Utility Fund.

Long-term debt activity for the year is as follows:

	Beginning Balances	Additions	Retirements	Ending Balances	Due in One Year
Bonds Payable, Series 2005	$984,828	$ -	$(22,000)	$962,828	$23,000
	$984,828	$ -	$(22,000)	$962,828	$23,000

NOTE 9 – LONG-TERM DEBT (CONTINUED)

Future principal and interest payments are as follows:

Fiscal Years Ended March 31,	Interest Rate	Combination Tax & Revenue Certificates of Obligation, Series 2005		Total Debt Service
		Principal	Interest	
2022	4.50%	$23,000	$43,335	$66,335
2023	4.50%	24,000	42,300	66,300
2024	4.50%	25,000	41,220	66,220
2025	4.50%	26,000	40,095	66,095
2026	4.50%	28,000	38,925	66,925
2027-2031	4.50%	157,000	174,780	331,780
2032-2036	4.50%	196,000	136,170	332,170
2037-2041	4.50%	245,000	87,750	332,750
2042-2045	4.50%	238,828	27,495	266,323
Total		$962,828	$632,070	$1,594,898

Under the terms of the Combination Tax and Revenue Certificates of Obligation, Series 2005, the City is required to establish an interest and sinking fund and transfer funds sufficient to pay the principal and interest scheduled to become due on the certificates in the next year. As of March 31, 2021, the City had $40,265 restricted for the interest and sinking requirements which is included in Restricted Assets on the Statement of Net Position.

NOTE 10 – RETIREMENT PLAN

TMRS Pension Plan –

1. **Description of Plan –**

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

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

2. **Benefits Provided -**

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

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

NOTE 10 – RETIREMENT PLAN (CONTINUED)

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:

Deposit rate:	5%
Matching Ratio (City to Employee):	1 to 1
Vesting Period:	5 years

Members can retire at certain ages, based on the years of service with the City. The Service Retirement Eligibility for the City, expressed as Age/ Years of Service is: "60/5, any age/25."

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

Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	12
Active employees	7
	21

3. **Contributions –**

Under state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees of the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.92% and 0.88% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended March 31, 2021, were $1,181 and were equal to the required contributions.

4. **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 Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total Pension Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Investment rate of return	6.75%
Inflation	2.50%
Overall payroll growth	1.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplies by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 107.5% and female rates multiplied by 107.5% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

NOTE 10 – RETIREMENT PLAN (CONTINUED)

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 through December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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

Asset Class	Target Allocation	Long-term Expected Real Rate of Return (Arithmetic)
Global Equity	30.0%	5.30%
Core Fixed Income	10.0%	1.25%
Non-Core Fixed Income	20.0%	4.14%
Real Return	10.0%	3.85%
Real Estate	10.0%	4.00%
Absolute Return	10.0%	3.48%
Private Equity	10.0%	7.75%
Total	100.0%	

Discount Rate

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

NOTE 10 – RETIREMENT PLAN (CONTINUED)

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (Asset) (a)-(b)
Balance at 12/31/2019	$264,351	$321,258	$(56,907)
Changes for the year:			
Service cost	13,162	-	13,162
Interest	18,176	-	18,176
Change in benefit terms	-	-	-
Difference between expected and actual experience	(1,456)	-	(1,456)
Changes in assumptions	-	-	-
Contributions – employer	-	1,758	(1,758)
Contributions – employee	-	9,510	(9,510)
Net investment income	-	24,401	(24,401)
Benefit payments, including refunds of employee contributions	(3,303)	(3,303)	-
Administrative expense	-	(158)	158
Other changes	-	(6)	6
Net changes	26,579	32,202	(5,623)
Balance at 12/31/2020	$290,930	$353,460	$(62,530)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	$(27,127)	$(62,530)	$(92,325)

Pension Plan Fiduciary Net Position

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

NOTE 10 – RETIREMENT PLAN (CONTINUED)

5. **Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended March 31, 2021, the City recognized pension income of $8,718. At yearend, 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	-	$1,923
Changes in actuarial assumptions	$82	-
Difference between projected and actual investment earnings	11,055	20,433
Contributions subsequent to the measurement date	281	-
Total	$11,418	$22,356

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $281 will be recognized as a reduction of the net pension liability for the year ending March 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows)
Year Ended March 31:	
2022	$(5,137)
2023	(50)
2024	(5,488)
2025	(544)
Total	$(11,219)

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS

TMRS Supplemental Death Benefits Fund –

1. **Description of Plan –**

Texas Municipal Retirement System (TMRS) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (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. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit 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).

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

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

2. **Benefits Provided –**

The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

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

Inactive employees currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	3
Active employees	7
	12

3. **Contributions -**

The City's contributions to the TMRS SDBF for the year ended March 31, 2021 were $558 and were equal to the required contributions.

4. **OPEB Liability -**

The City's OPEB Liability was measured as of December 31, 2020, and the liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The Total OPEB Liability in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Overall payroll growth	2.00%

Salary increases were based on a service-related table. Mortality rates for active members, and retirees were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplies by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rates multiplied by 103.5% and female rates multiplied by 103% with a 4-year set-forward for males and a 3 year set-forward for females. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

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.

Discount Rate

The Discount rate used to measure the Total OPEB Liability was 2.00%. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

	Total OPEB Liability
Total OPEB Liability - Balance at 12/31/2019	$28,360
Changes for the year:	
Service cost	1,636
Interest on Total OPEB Liability	801
Change in benefit terms including TMRS plan participation	-
Differences between expected and actual experience	(1,332)
Changes in assumptions or other inputs	3,918
Benefit payments **	(95)
Net changes	4,928
Total OPEB Liability - Balance at 12/31/2020	$33,288

**Due to the Plan being considered an unfunded OPEB Plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.00%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.00%) or 1-percentage-point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	$39,798	$33,288	$28,177

5. **OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs**

For the year ended March 31, 2021, the City recognized OPEB expense of $2,796. At yearend, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	-	$2,751
Changes in actuarial assumptions	$4,948	594
Contributions subsequent to the measurement date	147	-
Total	$5,095	$3,345

NOTE 11 – OTHER POSTEMPLOYMENT BENEFITS (CONTINUED)

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $147 will be recognized as a reduction of the total OPEB liability for the year ending March 31, 2022. Other amounts reported as deferred outflows of resources related to pensions will be recognized in pension expense as follows:

	Net Deferred Outflows (Inflows)
Year Ended March 31:	
2022	$359
2023	659
2024	585
Total	$1,603

NOTE 12 – INTERGOVERNMENTAL GRANTS

During the year ended March 31, 2020, the City was awarded a $350,000 Community Development Block Grant for improvements to the water system. The total project is estimated to be $1.15 million upon completion. There was no expenditures for the grant in fiscal year 2021.

NOTE 13 – PARTICIPATION IN PUBLIC ENTITY RISK POOL

The City is a member of the Texas Municipal League Intergovernmental Risk Pool (Pool). The Pool was created to formulate, develop and administer a program of modified self-funding for the Pool's membership. It obtains competitive costs for workers' compensation, provides liability coverage for members and their employees in their official capacities and provides municipal property coverage. The City's agreement provides that the Pool will be self-sustaining through member premiums and reinsurance contracts. The City's limits of liability are up to $1 million for certain types of claims.

NOTE 14 – RISK MANAGEMENT AND CONTINGENCIES

The City is exposed to various risks of loss related to torts; theft, damage, or destruction of assets; errors and omissions; injuries to employees or others; and natural disasters. The City's primary risk management activity is to maintain various types of insurance coverage to cover any significant losses that might be incurred.

The City is contingently liable with respect to claims or litigation arising from the ordinary course of operations. The settlement of such claims would require budget appropriations of future revenues. City officials have asserted that they have no significant pending or threatened litigation, or claims against the City that would have a material adverse effect on the financial position of the City.

Federal and State funds received during the current year and prior years through various grant programs are subject to audit by the applicable agencies. The City does not anticipate any substantial disallowance of project costs for any of the projects.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF DAISETTA, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED MARCH 31, 2021

	General Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:				
Ad Valorem Taxes, including Penalty and Interest	$139,000	$171,300	$176,037	$4,737
Sales Tax	95,000	80,600	83,094	2,494
Franchise Fees	26,500	26,100	26,073	(27)
Industrial Agreement	155,000	155,000	155,000	-
Police Fines and Fees	50,000	74,125	77,303	3,178
Other Fees	2,000	850	861	11
Investment Income	600	680	782	102
Miscellaneous	500	44,500	42,046	(2,454)
TOTAL REVENUES	468,600	553,155	561,196	8,041
EXPENDITURES:				
Personnel Costs	235,830	175,800	179,094	(3,294)
Contract Services	141,000	162,050	34,126	127,924
Repairs and Supplies	93,000	66,395	40,484	25,911
Professional Fees	18,000	26,200	25,043	1,157
State Court Costs and Fees	18,000	20,000	24,507	(4,507)
Insurance	22,000	20,000	22,920	(2,920)
Utilities	20,800	23,200	22,793	407
Auto Expenses	16,600	12,800	12,295	505
Administrative Costs	15,250	16,260	15,274	986
Capital Expenditures	20,000	17,000	148,123	(131,123)
Other Expenses	9,750	13,450	12,705	745
TOTAL EXPENDITURES	610,230	553,155	537,364	15,791
EXCESS OF REVENUES OVER EXPENDITURES	(141,630)	-	23,832	23,832
NON-OPERATING REVENUES (EXPENDITURES)	-	-	-	
NET CHANGE IN FUND BALANCE	(141,630)	-	23,832	$23,832
FUND BALANCES - BEGINNING OF YEAR	1,212,506	1,212,506	1,212,506	
FUND BALANCES - END OF YEAR	$1,070,876	$1,212,506	$1,236,338	

Note: The City budgeted street improvements as contract services but actual costs are indicated as capital expenditures.

See independent auditor's report.

CITY OF DAISETTA, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS –
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN YEARS ENDING MARCH 31, 2021**

	2020	2019	2018
Total Pension Liability			
Service Cost	$13,162	$12,337	$14,513
Interest (on the Total Pension Liability)	18,176	17,098	16,168
Changes of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(1,456)	(4,498)	(5,424)
Change of Assumptions	-	465	-
Benefit Payments, Including Refunds of Employee Contributions	(3,303)	(16,384)	(4,378)
Net Change in Total Pension Liability	26,579	9,018	20,879
Total Pension Liability – Beginning	264,351	255,333	234,454
Total Pension Liability – Ending (a)	$290,930	$264,351	$255,333
Plan Fiduciary Net Position			
Contributions – Employer	$1,758	$2,132	$2,907
Contributions – Employee	9,510	8,461	10,023
Net Investment Income	24,401	43,861	(8,498)
Benefit Payments, Including Refunds of Employee Contributions	(3,303)	(16,384)	(4,378)
Administrative Expense	(158)	(248)	(164)
Other	6)	(6)	(9)
Net Change in Plan Fiduciary Net Position	32,202	37,816	(119)
Plan Fiduciary Net Position – Beginning	321,258	283,442	283,561
Plan Fiduciary Net Position – Ending (b)	$353,460	$321,258	$283,442
Net Pension Liability (Asset) – Ending (a) – (b)	$(62,530)	$(56,907)	$(28,109)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	121.49%	121.53%	111.01%
Covered Employee Payroll	$190,206	$169,226	$200,460
Net Pension Liability (Asset) as a Percentage of Covered Employee Payroll	(32.87)%	(33.63)%	(14.02)%

2017	2016	2015
$17,320	$21,035	$18,334
14,868	12,935	10,895
-	-	-
(6,515)	(353)	148
-	-	5,841
(5,658)	(584)	(584)
20,015	33,033	34,634
214,439	181,406	146,772
$234,454	$214,439	$181,406
$3,246	$2,792	$2,199
12,112	14,689	13,247
33,361	14,172	287
(5,658)	(584)	(584)
(173)	(160)	(175)
(9)	(9)	(8)
42,879	30,900	14,966
240,682	209,782	194,816
$283,561	$240,682	$209,782
$(49,107)	$(26,243)	$(28,376)
120.95%	112.24%	115.64%
$242,233	$293,789	$264,946
(20.27)%	(8.93)%	(10.71)%

**Until a full 10-year trend is compiled, the City will present information for those years for which the information is available. Ultimately, ten years of data will be presented.

See independent auditor’s report.

CITY OF DAISETTA, TEXAS
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS -
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS ENDED MARCH 31, 2021

Fiscal Year Ending March 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll (1)	Actual Contribution as a % of Covered Payroll
2016	$2,178	$2,178	-	$253,953	0.85%
2017	3,040	3,040	-	295,505	1.02%
2018	3,235	3,235	-	236,924	1.36%
2019	2,753	2,753	-	196,449	1.40%
2020	2,132	2,132	-	169,226	1.25%
2021	1,181	1,181	-	190,206	0.62%

Notes to Schedule of Contributions

Valuation Date: Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	"N/A"
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB (10) mortality tables, with the Public Safety table used for Males and the General Employee Table used for females. The rates are projected on a fully generational basis with scale UMP.

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Other Information:

Notes — There were no benefit changes during the year.

**Until a full 10-year trend is compiled, the City will present information for those years for which the information is available. Ultimately, ten years of data will be presented.

See independent auditor's report.

CITY OF DAISETTA, TEXAS

SCHEDULE OF CHANGES IN THE OTHER POSTEMPLOYMENT BENEFITS (OPEB) LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN YEARS ENDING MARCH 31, 2021**

	2020	2019	2018
Total OPEB Liability			
Service Cost	$1,636	$1,168	$1,804
Interest on Total OPEB Liability	801	917	873
Changes of Benefit Terms including TMRS plan participation	-	-	-
Differences Between Expected and Actual Experience	(1,332)	(1,929)	(2,287)
Changes in Assumptions or Other Inputs	3,918	4,110	(1,683)
Benefit Payments	(95)	(68)	(60)
Net Change in Total OPEB Liability	4,928	(4,198)	(1,353)
Total OPEB Liability – Beginning	28,360	24,162	25,515
Total OPEB Liability – Ending	$33,288	$28,360	$24,162
Covered Payroll	$190,206	$169,226	$200,460
Net OPEB Liability as a Percentage of Covered Payroll	17.5%	16.76%	12.05%

Notes to Schedule

Benefit Changes – There were no changes of benefit terms.

Benefit Payments – Due to the Plan being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

**Until a full 10-year trend is compiled, the City will present information for those years for which the information is available. Ultimately, ten years of data will be presented.

See independent auditor's report.

SUPPLEMENTARY INFORMATION

CITY OF DAISETTA, TEXAS
SCHEDULE OF REVENUES AND EXPENDITURES –
BUDGET AND ACTUAL (BUDGETARY BASIS) –
SYSTEM UTILITY FUND
YEAR ENDED MARCH 31, 2021

	System Utility Fund			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES:				
Charges for Services, net	$312,900	$348,070	$337,713	$(10,357)
Late Fees	-	-	13,349	13,349
Connection Fees and Other	100	-	5,695	5,695
TOTAL OPERATING REVENUES	313,000	348,070	356,757	8,687
OPERATING EXPENDITURES:				
Personnel Costs	85,200	84,700	75,534	9,166
Contract Services	4,800	3,300	22,756	(19,456)
Repairs and Supplies	60,000	52,300	45,035	7,265
Testing and Permits	13,000	7,695	14,147	(6,452)
Purchased Gas and Water	40,000	82,500	85,450	(2,950)
Utilities	15,500	13,150	13,781	(631)
Auto Expenses	8,550	6,800	7,031	(231)
Administrative Costs	21,100	23,005	13,765	9,240
Capital Expenditures	35,000	-	11,121	(11,121)
Other Expenses	4,550	30,315	4,628	25,687
TOTAL OPERATING EXPENDITURES	287,700	303,765	293,248	10,517
EXCESS (DEFICIT) OF TOTAL REVENUES OVER (UNDER) OPERATIING EXPENDITURES	25,300	44,305	63,509	19,204
NON-OPERATING REVENUES (EXPENDITURES):				
Investment Income	200	300	2,042	1,742
Debt Principal and Interest	(65,500)	(64,605)	(64,605)	-
TOTAL NON-OPERATING REVENUES (EXPENDITURES)	(65,300)	(64,305)	(62,563)	1,742
EXCESS (DEFICIT) OF REVENUES OVER (UNDER) EXPENDITURES	$(40,000)	$(20,000)	$946	$20,946

Reconciliation of Actual Amounts on the Budget Basis to Change in Net Position:	
Excess (Deficit) of Revenues over (under) Expenditures	$946
Principal Payments on Debt	22,000
Change in Accrued Interest	119
Capital Expenditures	11,121
Depreciation	(171,203)
Change in Net Position	$(137,017)

See independent auditor’s report.

CITY OF DAISETTA, TEXAS
SCHEDULE OF TAXES LEVIED AND RECEIVABLE
MARCH 31, 2021

Taxes Receivable – Beginning of the Year			$137,646	
2020 Original Tax Roll (Less Abatements)			166,858	
Total Taxes to Account For				$304,504
Total Taxes Collected				
Current			(127,119)	
Prior Years			(35,929)	
				(163,048)
Adjustments				(2,986)
Taxes Receivable – End of Year				$138,470
Taxes Receivable by Years:				
	2020	$39,914		
	2019	18,533		
	2018	8,257		
	2017	7,925		
	2016	14,736		
	2015	12,204		
	2014	9,270		
	2013	3,321		
	2012	2,994		
	2011	3,115		
	2010 & Prior	18,201		
Total Taxes Receivable				$138,470
Percent of Taxes Collected to Tax Levy				97.7 %

See independent auditor's report.

GOVERNMENT AUDITING STANDARDS SECTION

SWAIM, BRENTS & ASSOCIATES, P.C.
2804 Jefferson Drive
Liberty, Texas 77575
(936) 336-7205

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Mayor and Members of the City Council
City of Daisetta, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the City of Daisetta, Texas (the City), as of and for the year ended March 31, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 27, 2022.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal contro*l exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Swaim, Brents & Associates, P.C.

Swaim, Brents & Associates, P.C.
Liberty, Texas
May 27, 2022

Financial Advisory Services
Provided By:

SAMCO Capital