NEW ISSUE BOOK-ENTRY-ONLY

Rating: S&P "Applied for" (Insured)
S&P: "AA-" (Underlying)
(See: "OTHER PERTINENT INFORMATION – Rating", "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein)

PRELIMINARY OFFICIAL STATEMENT
September 2, 2022

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "TAX MATTERS" herein.

The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

$8,500,000*
CITY OF LYTLE, TEXAS
(A political subdivision of the State of Texas located in Atascosa, Bexar and Medina County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: August 15, 2022 **Due: February 1, as shown on inside cover**

The $8,500,000* City of Lytle, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City of Lytle, Texas (the "City" or the "Issuer") on September 12, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the City payable from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. The Certificates are additionally secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the net revenues derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law otherwise. (See "THE CERTIFICATES – Security for Payment" and "TAX RATE LIMITATIONS" herein).

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

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (i) designing, acquiring, constructing, renovating, improving, and equipping various City street and sidewalk improvements, including necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto; (ii) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (iii) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements; and (iv) payment of professional services related to the construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The Issuer reserves the right to redeem the Certificates maturing on and after February 1, 2032 on February 1, 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 Underwriter may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES – Redemption Provisions of the Certificates" herein.)

The Issuer has made application to municipal bond insurance companies to have the payment of the principal of and interest on the Certificates insured by a municipal bond guaranty policy and will consider the purchase of such insurance after an analysis of the bids from such companies has been made. The City will be responsible for paying the bond insurer's insurance premium. (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

The Certificates are offered for delivery, when, as and if issued and received by the initial purchaser 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. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" and "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). Certain matters will be passed upon for the Underwriter by its Counsel, Cantu Harden LLP, San Antonio, Texas. It is expected that the Certificates will be available for initial delivery through DTC on or about September 28, 2022.

ESTRADA HINOJOSA

* Preliminary, subject to change.

$8,500,000*
CITY OF LYTLE, TEXAS
(A political subdivision of the State of Texas located in Atascosa, Bexar and Medina County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

STATED MATURITY SCHEDULE*

CUSIP Prefix No. 552393 [(1)]

Stated Maturity February 1	Principal Amount*	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix[(1)]
2023	310,000			
2024	270,000			
2025	285,000			
2026	300,000			
2027	310,000			
2028	330,000			
2029	345,000			
2030	365,000			
2031	380,000			
2032	400,000			
2033	420,000			
2034	440,000			
2035	465,000			
2036	490,000			
2037	510,000			
2038	530,000			
2039	550,000			
2040	575,000			
2041	600,000			
2042	625,000			

(Interest to accrue from Dated Date)

The Issuer reserves the right to redeem the Certificates maturing on or after February 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. Additionally, the Underwriter may select certain consecutive maturities of the Certificates to be grouped together as one or more "Term Certificates" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

[(1)] CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

* Preliminary, subject to change.

CITY OF LYTLE TEXAS

14916 Main Street
Lytle, Texas 78009
Telephone: (830) 709-3692

ELECTED OFFICIALS

Name	On Council Since	Term Expires (May)
Ruben Gonzalez Mayor	2021	2024
Joseph Morrow Alderman, District 1	2021	2024
Sam Cortez Alderman, District 2	2021	2024
David Emery Alderman, District 3	2021	2025
Michael Rodriguez Alderman, District 4	2022	2024
Charles Cate Alderman, District 5	2020	2024

ADMINISTRATION

Name	Position	Length of Service With the City (years)
Matthew Dear, COM	Interim City Administrator	20
LaNet Hester	Finance Director	6 months
Paola “Liz” Rios	City Secretary	13

CONSULTANTS AND ADVISORS

Bond Counsel .... McCall, Parkhurst & Horton L.L.P.
San Antonio, Texas

Certified Public Accountants .... Armstrong, Vaughn & Associates, P.C.
Universal City, Texas

Financial Advisor .... SAMCO Capital Markets, Inc.
San Antonio, Texas

For Additional Information Please Contact:

Mr. Matthew Dear, COM
Interim City Administrator
Ms. LaNet Hester
Finance Director
City of Lytle
14916 Main Street
Lytle, Texas 78052
Phone: (830) 709-3692
matthew.dear@lytletx.org
lanet.hester@lytletx.org

Mr. Mark M. McLiney
Mr. Andrew T. Friedman
SAMCO Capital Markets, Inc.
1020 Northeast Loop 410, Suite 640
San Antonio, Texas 78209
Telephone: (210) 832-9760
mmcliney@samcocapital.com
afriedman@samcocapital.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

For purposes of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission, as amended (the "Rule"), and in effect on the date of this Preliminary Official Statement, this document constitutes an "official statement" of the Issuer with respect to the Certificates that has been "deemed final" by the Issuer as of its date except for the omission of no more than the information permitted by the Rule.

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the 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 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 or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE UNDERWRITER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION IS PROVIDED BY DTC, OR THE BOND INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY, DESCRIBED HEREIN UNDER THE HEADING "BOND INSURANCE" AND "BOND INSURANCE GENERAL RISKS" AS SUCH INFORMATION WAS PROVIDED BY THE BOND INSURER.

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

TABLE OF CONTENTS

The cover page, subsequent pages hereof, 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 Certificates to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Lytle, Texas was incorporated in 1951. The City of Lytle, Texas (the "City" or "Issuer") is located about 23 miles southwest of the City of San Antonio. Most of the City lies in Atascosa County; other small portions extend into Bexar County and Medina County. The City has a total of 4.7 square miles and service a population of 3,467. The City operates with a Mayor-Alderman form of government. The council consists of the Mayor and five Alderman serving a single member district. (See Appendix B – "General Information Regarding the City of Lytle, Texas, and Atascosa, Bexar and Medina Counties, Texas" herein).
The Certificates	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code and an ordinance (the "Ordinance") to be adopted by the City Council of the City, on September 12, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
Security	The Certificates constitute direct and general obligations of the City payable from ad valorem taxes levied annually all taxable property therein, within the limits prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (as described and defined in the Ordinance), being a limited amount of the Net Revenues (as described and defined in the Ordinance) derived from the operation of the City's combined utility system (the "System"), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of or any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations, while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law otherwise. (See "THE CERTIFICATES – Security for Payment" and "TAX RATE LIMITATIONS" herein).
Qualified Tax-Exempt Obligations	The Issuer will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Redemption Provisions of the Certificates	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after February 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 1, 2031, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. Additionally, the Underwriter may select certain consecutive maturities of the Certificates to be grouped together as a "Term Certificate" and such "Term Certificates" would also be subject to mandatory sinking fund redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
Tax Matters	In the opinion of McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, as Bond Counsel to the City, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings, and court decisions existing on the date thereof. (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein).
Use of Certificate Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (i) designing, acquiring, constructing, renovating, improving, and equipping various City street and sidewalk improvements, including necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto; (ii) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (iii) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and

rights of way for authorized needs and purposes related to the aforementioned capital improvements; and (iv) payment of professional services related to the construction, project management, and financing of the aforementioned projects. See “THE CERTIFICATES – Use of Certificate Proceeds” 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 Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See “BOOK-ENTRY-ONLY SYSTEM” herein.)

Ratings

S&P Global Ratings (“S&P”) has assigned an unenhanced, underlying rating of “AA-“ to the Certificates. An explanation of the significance of such rating may be obtained from S&P. The City has also made applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates to be insured by a policy. (See "OTHER PERTINENT INFORMATION - Rating" herein.)

Payment Record

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

Future Debt Issues

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2022.

Delivery

When issued, anticipated on or about September 28, 2022.

Legality

Delivery of the Certificates is subject to the approval by 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.

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PRELIMINARY OFFICIAL STATEMENT
relating to

$8,500,000*
CITY OF LYTLE, TEXAS
(A political subdivision of the State of Texas located in Medina County, Texas)
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Lytle, Texas (the "City" or the "Issuer") of its $8,500,000* Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates") identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the Constitution and laws of the State of Texas. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below). Included in this Official Statement are descriptions of the Certificates 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 upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 Northeast Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

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

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 providing 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-

*Preliminary, subject to change.

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 and limited Net Revenues pledged as security for the Certificates. The City, however, cannot predict the effect 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 and receives revenue from various sources, some of which heavily depend on business activity. Actions taken to slow the Pandemic may continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other taxes, revenues, fees, and other charges 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.

In general, the City, and the receipt of its primary revenue sources, including ad valorem taxes, sales and use taxes, and revenues from its waterworks and sewer utility system have not been materially negatively impacted by the Pandemic to date. With the reopening of businesses and the general upswing in economic activity throughout the State in recent months, the City does not expect the Pandemic will have a negative impact on the City or its operations and the collection of revenues from its various sources.

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

THE CERTIFICATES

General Description of the Certificates

The Certificates will be dated August 15, 2022 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of $5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on February 1 and August 1 of each year, commencing February 1, 2023, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, and an ordinance (the "Ordinance") to be adopted by the City Council of the City (the "City Council") on September 12, 2022.

Security for Payment

The Certificates constitute direct and general obligations of the City payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law. (See "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein). In addition, and solely to comply with State law allowing the Certificates to be sold for cash, the Certificates are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the net revenues (the “Net Revenues”) derived from the operation of the City’s combined utility system (the “System”), not to exceed $1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of any Prior Lien Obligations, Junior Lien Obligations, or Subordinate Lien Obligations hereafter issued by the City. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

Redemption Provisions of the Certificates

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after August 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof on August 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. In addition, two or more consecutive maturities of the Certificates may be grouped together as a “Term Certificate” by the Underwriter, and such “Term Certificates” would also be subject to mandatory sinking fund redemption. If less than all of the Certificates within a stated maturity are to be redeemed, the particular Certificates to be redeemed shall be selected by lot or by other customary random method by the Paying Agent/Registrar.

Notice of Redemption

At least 30 days prior to the date fixed for any redemption of any Certificates 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 Certificate 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 Certificates 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 Certificates 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 CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for 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 Certificates from the Beneficial Owners. Any such selection of Certificates 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 Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Selection of Certificates to be Redeemed

The Certificates of a denomination larger than $5,000 may be redeemed in part (in increments of $5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice or such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for the purpose of paying all or a portion of the City's contractual obligations incurred for the purpose of (i) designing, acquiring, constructing, renovating, improving, and equipping various City street and sidewalk improvements, including necessary capital maintenance and utilities relocation, drainage, and landscaping necessary or incidental thereto; (ii) designing, constructing, acquiring, purchasing, renovating, enlarging, and improving the City's utility system; (iii) purchasing real property, materials, supplies, equipment, information technology, machinery, landscaping, land, and rights of way for authorized needs and purposes related to the aforementioned capital improvements; and (iv) payment of professional services related to the construction, project management, and financing of the aforementioned projects.

Sources and Uses

Sources	
Par Amount of the Certificates	$
Accrued Interest on the Certificates	
[Net] Reoffering Premium	
Total Sources of Funds	
Uses	
Project Fund Deposit	$
Underwriter's Discount	
Interest and Sinking Fund Deposit	
Costs of Issuance	
Total Uses	

Payment Record

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

Amendments

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) extend the time or times of payment of the principal of and interest on the Certificates, reduce the principal amount thereof or the rate of interest thereon, or in any other way modify the terms of payment of the principal of, or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, or (3) reduce the aggregate principal amount of Certificates required for consent to any such amendment, addition, or rescission.

Defeasance

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), to 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 Certificates. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City's Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government 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 "Government Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, 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 governing body of the City adopts or approves the proceedings authorizing the financial arrangements 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 State law as eligible for use to accomplish the discharge of obligations such as the Certificates. City officials are authorized to restrict such eligible securities as deemed appropriate in connection with the sale of the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates ("Defeasance Proceeds"), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities, notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

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

Default and Remedies

If the City defaults in the payment of principal, interest, or redemption price on the Certificates 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 Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The 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 Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the certificateholders 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 Certificates. As noted above, the Ordinance provides that Certificateholders 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 certificateholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors 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 Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates 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 Certificates 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 Certificate on any interest payment date means the fifteenth (15^{th}) 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 will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER AND EXCHANGE - Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Future Registration

In the event the Certificates are not in the Book-Entry-Only System, the Certificates 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 Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates 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 Certificates issued in an exchange or transfer of Certificates 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 Certificates 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 Certificates 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 Certificate or Certificates 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 Certificates.)

Limitation on Transfer of Certificates

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

Replacement Certificates

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and 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 Certificate 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.

BOND INSURANCE

The Issuer is considering qualifying the Certificates for municipal bond insurance and has made application to several bond insurance companies (collectively, the "Insurer") in connection with such consideration. No representation is hereby made that the Issuer will use municipal bond insurance in connection with the issuance of the Certificates. The premium for a municipal bond insurance policy (the "Policy") shall be paid by the City. The final Official Statement shall disclose, to the extent necessary, any relevant information relating to the Policy.

BOND INSURANCE GENERAL RISKS

General

The City has applied for a Policy to guarantee the Certificates. The City has yet to determine whether any insurance will be purchased with the Certificates. If a Policy is purchased, the following are risk factors relating to the bond insurance.

In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the Beneficial Owners as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absent such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Certificates is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES - Default and Remedies"). The Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Beneficial Owners.

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City as further described under "THE CERTIFICATES – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the enhanced long-term rating on the Certificates will be dependent on the financial strength of the Insurer and its claims paying ability. The Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the rating on the Certificates, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates. (See the disclosure described in "OTHER PERTINENT INFORMATION – Rating" herein.)

The obligations of the Insurer under the Policy are general obligations of the Insurer and in an event of default by the Insurer, the remedies available may be limited by applicable bankruptcy law. None of the City, the Underwriter, or the City's Financial Advisor have made an independent investigation into the claims paying ability of the Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Insurer is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody's Investor Services, Inc., S&P Global Ratings and Fitch Ratings, Inc. (the "Rating Agencies") have, in recent years, downgraded and/or placed on negative watch the claims-paying and financial strength of many providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, recent events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the investment.

BOOK-ENTRY-ONLY SYSTEM

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

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

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

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

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

Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive physical certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "REGISTRATION, TRANSFER AND EXCHANGE" hereinabove.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City, the Financial Advisor, and the Underwriter believe to be reliable, but none of the City, the Financial Advisor, or the Underwriter take responsibility for the accuracy thereof.

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

Use of Certain Terms in Other Sections of this Official Statement

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

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

Legal Investments

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) "A" or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an "A" or better rated state or national bank; (10) 270-day or shorter bankers' acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least "A-1" or "P-1"; (11) commercial paper rated at least "A-1" or "P-1"; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) "AAA" or "AAAm"-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund's total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

Current Investments [(1)] **TABLE 1**

As of June 30, 2022, the City held investments as follows:

Type of Security	Market Value	Percentage of Total
Cash	$2,587,418.29	71.05%
Money Market	191,148.15	5.25%
Certificates of Deposit	863,044.28	23.70%
Total	$3,641,610.72	100.00%

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

____

(1) Unaudited.

DEFINED BENEFIT PENSION PLAN

The City participates as one of 895 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 and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code, as amended (the "TMRS Act") as an agent multiple-employer retirement system for municipal employees in the State. 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.

TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code of 1986, as amended (the "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 related to the foregoing, see the City's most recent Annual Financial Report attached hereto as APPENDIX D.

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

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

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

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

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

State Mandated Homestead Exemptions

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

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport and Goods-In-Transit Exemptions

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

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

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

Other Exempt Property

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

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. 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. 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 Certificates.

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of taxable assessed valuation. Administratively, the Attorney General of the State 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.

The Property Tax Code as Applied to the City

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

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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

The City does not tax nonbusiness personal property; the Medina County Appraisal District does collect taxes for the City.

The City does permit split payments for certain residents over the age of 65, and discounts are not allowed.

The City does not tax freeport property.

The City has adopted a tax abatement policy and does not have any existing tax abatement agreements.

The City does participate in tax increment financing zones.

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 collects an additional one-half of one percent sales tax for reduction of ad valorem taxes.

TAX MATTERS

Opinion

On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., San Antonio, Texas, Bond Counsel, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (i) interest on the Certificates for federal income tax purposes will be excludable from the "gross income" of the holders thereof, and (ii) the Certificates 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 Code. Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates (see "APPENDIX C - Form of Opinion of Bond Counsel").

In rendering its opinion, Bond Counsel will rely upon (a) certain information and representations of the City, including information and representations contained in the City's federal tax certificate, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed therewith. Failure by the City to observe the aforementioned representations or covenants, could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of the issuance of the Certificates. The opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel to the City has not been retained to monitor compliance with these requirements subsequent to the issuance of the Certificates.

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 Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the property financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the Certificateholders 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 Certificates (the "Original Issue Discount Certificates") may be less than the principal amount thereof or one or more periods for the payment of interest on the Certificates may not be equal to the accrual period or be in excess of one year. In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Certificate, and (ii) the initial offering price to the public of such Original Issue Discount Certificate would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Certificates less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate in the initial public offering is entitled to exclude from gross income (as defined in Section 61 of the Code) an amount of income with respect to such Original Issue Discount Certificate equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below. In the event of the redemption, sale or other taxable disposition of such Original Issue Discount Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Certificate was held by such initial owner) is includable in gross income.

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

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

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Certificates. This discussion is based on Existing 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 and excess passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

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

Interest on the Certificates may be includable in a corporation's "adjusted financial statement income" imposed by Section 56A of the Code to calculate the alternative minimum tax imposed by Section 55 of the Code.

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

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

The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Certificates will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to withholding under Sections 1471 through 1474 or backup withholding under Section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the 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 foreign investors, 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 Certificates under federal or state law and could affect the market price or marketability of the Certificates. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Certificates should consult their own tax advisors regarding the foregoing matters.

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" 38 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 Certificates will be designated, as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City will covenant to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Certificates 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 Certificates) 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 Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified 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 September 30. Accordingly, it must provide updated information by September 30 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 Certificates 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 Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances;(10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes;(12) bankruptcy, insolvency, receivership, or similar event of the City, 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 paying agent/registrar or the change of name of a paying agent/registrar, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such 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 any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City will adopt policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports." Neither the Certificates nor the Ordinance make provision for credit enhancement (although applications have been made for a municipal insurance policy), liquidity enhancement, or debt service reserves.

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

Availability of Information

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

Limitations and Amendments

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

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

Compliance with Prior Agreements

During the past five years, the City has complied in all material respects in accordance with the Rule.

LEGAL MATTERS

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 Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate 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 Certificates, 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 Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. 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 "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses", "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. 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 Certificates or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain matters will be passed upon for the Underwriter by its counsel, Cantu Harden LLP, San Antonio, Texas, whose fee is contingent on the sale and delivery of the Certificates.

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

Litigation

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

At the time of the initial delivery of the Certificates, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Certificates or that affects the payment and security of the Certificates or in any other manner questioning the issuance, sale, or delivery of the Certificates.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT INFORMATION – Rating" herein.) In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations.

The City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Certificates for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Certificates for such purposes. The City has made no review of laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

No representation is made that the Certificates 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 Certificates for any of the foregoing purposes or limit the authority of such persons or entities to purchase or invest in the Certificates for such purposes. Additionally, with respect to the Certificates, Section 271.051 of Texas Local Government Code, as amended, expressly provides that certificates of obligation approved by the Attorney General of Texas are legally authorized investments for banks, savings banks, trust companies, and savings and loan associations, insurance companies, fiduciaries, trustees, and guardians, and sinking funds of municipalities, counties, school districts, or other political corporations or subdivisions of the State.

FORWARD LOOKING STATEMENTS

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

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

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

Rating

S&P Global Ratings ("S&P") has assigned an unenhanced, underlying rating of "AA-" to the Certificates. The City has also made applications to municipal bond insurance companies to have the payment of the principal and interest on the Certificates to be insured by a policy. An explanation of the significance of such a rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of S&P at the time the rating is given, and the Issuer makes no representations as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

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 projection 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 a Financial Advisor to the Issuer in connection with the issuance of the Certificates. In this capacity, the Financial Advisor has compiled certain data relating to the Certificates and has drafted 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 the Financial Advisor are contingent upon the issuance, sale and initial delivery of the Certificates.

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

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at a price of $__________ (representing the par amount of the Certificates of $_________, plus a [net] reoffering premium of $__________, and less an Underwriter's discount of ___________), and accrued interest on the Certificates in the amount of $__________________.

The Underwriter will be obligated to purchase all of the Certificates, if any of the Certificates are purchased. The Certificates may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) and others at prices lower than such public offering prices, and such public 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 their respective responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Under certain circumstances, the Underwriter and its affiliates may have certain creditor and/or other rights against the City and its affiliates in connection with such activities. In the various course of their various business activities, the Underwriter and its respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the City (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the City. The Underwriter and its respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

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.

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 authorizing the issuance of the Certificates will also approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and will authorize its further use in the re-offering of the Certificates by the Underwriter.

This Official Statement will be approved by the 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 LYTLE, TEXAS

/s/

Mayor
City of Lytle, Texas

ATTEST:

/s/

City Secretary
City of Lytle, Texas

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APPENDIX A

FINANCIAL INFORMATION RELATING TO THE CITY OF LYTLE, TEXAS

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FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2022 Certified Market Value of Taxable Property (100% of Market Value)	$	296,509,027
Less Exemptions:		
Over 65 or Disabled	$	2,354,981
Veterans' Exemptions		12,396,925
Productivity Loss		8,677,917
Homstead Cap		14,597,394
Misc. Exemptions		24,149,740
TOTAL EXEMPTIONS	$	62,176,957
2022 Certified Assessed Value of Taxable Property	$	234,332,070

Source: Atascosa, Bexar and Medina County Appraisal Districts

GENERAL OBLIGATION BONDED DEBT
(as of August 1, 2022)

General Obligation Debt Principal Outstanding

General Obligation Refunding Bonds, Series 2022	$	1,000,000	
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2022 (the "Certificates")		8,500,000	*
Total Gross General Obligation Debt	$	9,500,000	*
Less: Self-Supported Debt			
The Certificates (UF 88.24%)	$	7,500,000	*
Total Self-Suppporting Debt	$	7,500,000	*
Total Net General Obligation Debt Outstanding	$	2,000,000	*

2022 Net Assessed Valuation	$	234,332,070	
Ratio of Total Gross General Obligation Debt Principal to Certified Net Taxable Assessed Valuation		4.05%	*
Ratio of Net General Obligation Debt to Certified Net Taxable Assessed Valuation		0.85%	*

Population: 2000 - 2,383; 2010 - 2,492; 2020 - 2,914; est. 2021 - 3,252
Per Capita Certified Net 2022 Taxable Assessed Valuation - $72,057.83
Per Capita Gross General Obligation Debt Principal - $2,921.28
Per Capita Net General Obligation Debt Principal - $615.01

**Preliminary, subject to change.*

CITY DEBT OBLIGATIONS - CAPITAL LEASE AND NOTES PAYABLE **TABLE 2**
(As of September 30, 2021)

NONE

Source: The Issuer's Annual Financial Report for the fiscal year ended September 30, 2021.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending Sept. 30	Current Total Outstanding Debt	The Certificates* Principal	The Certificates* Interest	The Certificates* Total	Combined Debt Service*	Less: Self-Supporting Debt*	Total Net Debt Service*
2022	$ 104,008	-	-	-	$ 104,008	$ -	104,008
2023	106,784	$ 310,000	$ 365,786	$ 675,786	782,570	597,738	184,832
2024	104,552	270,000	366,400	636,400	740,952	563,200	177,752
2025	107,250	285,000	352,525	637,525	744,775	560,950	183,825
2026	104,879	300,000	337,900	637,900	742,779	563,075	179,704
2027	102,507	310,000	322,650	632,650	735,157	559,575	175,582
2028	105,066	330,000	306,650	636,650	741,716	560,450	181,266
2029	107,485	345,000	289,775	634,775	742,260	560,575	181,685
2030	104,835	365,000	272,025	637,025	741,860	559,950	181,910
2031	107,115	380,000	253,400	633,400	740,515	558,575	181,940
2032	104,325	400,000	233,900	633,900	738,225	561,325	176,900
2033	106,465	420,000	213,400	633,400	739,865	558,200	181,665
2034	-	440,000	191,900	631,900	631,900	559,200	72,700
2035	-	465,000	169,275	634,275	634,275	559,200	75,075
2036	-	490,000	146,625	636,625	636,625	559,275	77,350
2037	-	510,000	125,400	635,400	635,400	560,600	74,800
2038	-	530,000	104,600	634,600	634,600	562,200	72,400
2039	-	550,000	83,000	633,000	633,000	558,100	74,900
2040	-	575,000	60,500	635,500	635,500	558,300	77,200
2041	-	600,000	37,000	637,000	637,000	562,600	74,400
2042	-	625,000	12,500	637,500	637,500	561,000	76,500
Total	$ 1,265,270	$ 8,500,000	$ 4,245,211	$ 12,745,211	$ 14,010,481	$ 11,244,088	$ 2,662,385

** Preliminary, subject to change. Interest calculations based on an assumed rate.*

TAX ADEQUACY

2022 Certified Assessed Value of Taxable Property	$ 234,332,070	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	782,570	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.3408	*

**Includes the Certificates. Preliminary, subject to change.*

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

TAX ADEQUACY (NET OF SELF-SUPPORT)

2022 Certified Assessed Value of Taxable Property	$ 234,332,070	
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-2023)	184,832	*
Indicated required I&S Fund Tax Rate at 98% Collections to produce Maximum Debt Service requirements	$ 0.0805	*

**Includes the Certificates. Preliminary, subject to change.*

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE

	Principal Repayment Schedule			Principal	Percent of
Fiscal Year Ending 9-30	Currently Outstanding	The Certificates*	Total*	Principal Unpaid at End of Year	Percent of Principal Retired (%)
2022	-		-	$ 9,500,000	0.00%
2023	$ 80,000	$ 310,000	$ 390,000	9,110,000	4.11%
2024	80,000	270,000	350,000	8,760,000	7.79%
2025	85,000	285,000	370,000	8,390,000	11.68%
2026	85,000	300,000	385,000	8,005,000	15.74%
2027	85,000	310,000	395,000	7,610,000	19.89%
2028	90,000	330,000	420,000	7,190,000	24.32%
2029	95,000	345,000	440,000	6,750,000	28.95%
2030	95,000	365,000	460,000	6,290,000	33.79%
2031	100,000	380,000	480,000	5,810,000	38.84%
2032	100,000	400,000	500,000	5,310,000	44.11%
2033	105,000	420,000	525,000	4,785,000	49.63%
2034	-	440,000	440,000	4,345,000	54.26%
2035	-	465,000	465,000	3,880,000	59.16%
2036	-	490,000	490,000	3,390,000	64.32%
2037	-	510,000	510,000	2,880,000	69.68%
2038	-	530,000	530,000	2,350,000	75.26%
2039	-	550,000	550,000	1,800,000	81.05%
2040	-	575,000	575,000	1,225,000	87.11%
2041	-	600,000	600,000	625,000	93.42%
2042	-	625,000	625,000	-	100.00%
Total	$ 1,000,000	$ 8,500,000	$ 9,500,000		

**Preliminary, subject to change.*

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2012-2022 TABLE 3

		Change From Preceding Year	
Tax Year	Net Taxable Assessed Valuation	Amount ($)	Percent
2012-13	142,348,076	-	-
2013-14	144,720,941	2,372,865	1.67%
2014-15	148,168,226	3,447,285	2.38%
2015-16	149,523,152	1,354,926	0.91%
2016-17	159,213,047	9,689,895	6.48%
2017-18	173,630,548	14,417,501	9.06%
2018-19	185,455,696	11,825,148	6.81%
2019-20	188,601,154	3,145,458	1.70%
2020-21	203,922,497	15,321,343	8.12%
2021-22	234,332,070	30,409,573	14.91%

Source: Atacosa, Bexar and Medina County Appraisal Districts.

PRINCIPAL TAXPAYERS 2021 TABLE 4

Name	Type of Business/ Property	2021 Net Taxable Assessed Valuation	% of Total 2021 Assessed Valuation
H E Butt Grocery Co.	Commerical - Grocery Store	$ 15,356,464	6.55%
Dickerson Tausch Properties LLC	Residential - Residential Land	2,591,260	1.11%
Lytle Lodging LLC	Commercial - Hotel/Motel	2,227,235	0.95%
Leemak Texas II, LLC	Commericial - Commericial Building	1,899,980	0.81%
Alberson LLC	Residential - Apartments	1,712,540	0.73%
BJ Properties & Management LLC Series G	Residential - Residential Land	1,542,010	0.66%
Grand Somerset Enterprises LLC	Commercial - Commercial Building	1,264,760	0.54%
CR-FED Leasing LLC DBA Credito Real USA	Business Capital	1,217,900	0.52%
Gary A. Hack Sr.	Commercial - Grocery Store	1,195,150	0.51%
Ayala Investment Properties LLC	Health - Medical Clinic	1,066,820	0.46%
		$ 30,074,119	12.83%

Source: Municipal Advisory Council of Texas.

Note: As shown in the table above, the total combined top ten taxpayers in the City currently account for over 12% of the City's tax base, 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 seveeerely affecting the City's finances and its ability to rep its outstanding indebtedness. Accordingly, the City makes no respresentation regarding the continued valuation of any of the property listed in the above table or the generation of future tax revenues therefrom.

CLASSIFICATION OF ASSESSED VALUATION **TABLE 5**

	2022	% of Total	2021	% of Total	2020	% of Total
Real, Residential, Single-Family	$ 166,227,123	56.06%	$ 135,015,737	54.66%	$ 119,100,004	52.99%
Real, Residential, Multi-Family	4,100,510	1.38%	5,659,330	2.29%	4,064,975	1.81%
Real, Residental Lot	8,906,889	3.00%	5,735,099	2.32%	4,520,647	2.01%
Real, Commercial Lot	827,790	0.28%	994,560	0.40%	713,100	0.32%
Real, Qualified AG Land	9,008,517	3.04%	6,821,014	2.76%	6,211,143	2.76%
Real, Single Family Res/Farm & Ranch	2,687,772	0.91%	2,645,600	1.07%	2,374,879	1.06%
Real, Rural Land	5,085,629	1.72%	3,072,518	1.24%	2,402,454	1.07%
Real, Commercial Property	53,170,558	17.93%	44,942,700	18.19%	44,632,788	19.86%
Real, Industrial Property	-	0.00%	35,340	0.01%	35,340	0.02%
Real, Utilities	2,819,850	0.95%	2,694,350	1.09%	2,535,850	1.13%
Tangible Personal, Commercial	13,858,200	4.67%	14,061,710	5.69%	14,792,980	6.58%
Tangible Personal, Industrial	87,790	0.03%	12,100	0.00%	151,080	0.07%
Tangible Personal, Mobile Homes	4,618,889	1.56%	3,896,137	1.58%	3,074,360	1.37%
Special Inventory	959,770	0.32%	622,830	0.25%	554,170	0.25%
Total Exempted Property	24,149,740	8.14%	20,813,280	8.43%	19,602,960	8.72%
Total Market Value	$ 296,509,027	100.00%	$ 247,022,305	100.00%	$ 224,766,730	100.00%
Less:						
Over 65 or Disabled	$ 2,354,981		$ 2,328,174		$ 2,257,664	
Veterans' Exemptions	$ 12,396,925		9,173,546		6,750,806	
Productivity Loss	$ 8,677,917		6,503,212		5,887,248	
Homstead Cap	$ 14,597,394		4,281,596		1,666,898	
Misc. Exemptions	$ 24,149,740		20,813,280		19,602,960	
Total Exemptions	$ 62,176,957		$ 43,099,808		$ 36,165,576	
Net Taxable Assessed Valuation	**$ 234,332,070**		**$ 203,922,497**		**$ 188,601,154**	

Source: Atacosa, Bexar and Medina County Appraisal Districts

TAX DATA **TABLE 6**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% of Collections Current**	% of Collections Total	Year Ended	
2012	133,178,975	0.312500	416,184	95.42%	99.69%	9/30/2013	
2013	142,348,076	0.340000	483,983	96.28%	98.32%	9/30/2014	
2014	144,720,941	0.345000	499,287	97.54%	100.43%	9/30/2015	
2015	148,168,226	0.365000	540,814	97.11%	102.96%	9/30/2016	
2016	149,523,152	0.372500	556,974	95.96%	104.21%	9/30/2017	
2017	159,213,047	0.390000	620,931	97.47%	98.55%	9/30/2018	
2018	173,630,548	0.422500	733,589	97.16%	98.75%	9/30/2019	
2019	185,445,696	0.447500	829,869	95.20%	98.05%	9/30/2020	
2020	188,601,154	0.415400	783,449	95.56%	97.02%	9/30/2021	
2021	203,922,497	0.390500	796,317	89.30%	90.67%	9/30/2022	*
2022***	234,332,070			*[To be collected]*		9/30/2022	

** Collections as of April 30, 2022*
*** Penalities and interest are not included.*
****2022 Tax Rates have not yet been adopted.*
Source: Atacosa and Medina County Appraisal Districts and the Issuer.

TAX RATE DISTRIBUTION **TABLE 7**

	2021	2020	2019	2018	2017
General Fund	$ 0.3318	$ 0.3484	$ 0.3395	$ 0.3122	$ 0.3104
I & S Fund	0.0587	0.0670	0.1080	0.1103	0.0796
Total Tax Rate	$ 0.3905	$ 0.4154	$ 0.4475	$ 0.4225	$ 0.3900

Source: Atacosa, Bexar and Medina County Appraisal Districts

The City has adopted the provisions of Chapter 321.103(a), as amended, Texas Tax Code (the "Municipal Sales and Use Tax Act") which provides for the maximum levy of a one and one-half 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 the Certificates or other indebtedness.

Calendar Year	Total Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate
2012	$ 774,535	186.10%	0.582
2013	853,697	176.39%	0.600
2014	886,940	177.64%	0.613
2015	949,495	175.57%	0.641
2016	1,009,748	181.29%	0.675
2017	1,057,085	170.24%	0.664
2018	1,167,653	159.17%	0.672
2019	1,491,676	179.75%	0.804
2020	945,780	120.72%	0.501
2021	1,410,534	177.13%	0.692
2022*	889,113		

Source: State Comptroller's Office of the State of Texas.
**Collections through July, 2022*

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OVERLAPPING DEBT INFORMATION

(As of May 31, 2022)

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

Taxing Body	Gross Debt (As of 7/31/22)	% Overlapping	Amount Overlapping
Alamo CCD	$ 553,620,000	**	$ -
Atacosa County	19,765,000	3.32%	656,198
Bexar County	2,015,625,000	**	-
Bexar County Hospital District	874,490,000	**	-
Lytle ISD	22,695,000	35.59%	8,077,151
Medina County	26,845,000	1.27%	340,932
Southwest ISD	258,568,090	0.03%	77,570
Total Gross Overlapping Debt	$ 3,771,608,090	40.21%	$ 9,151,850
City of Lytle			$ 9,500,000 *
Total Gross Direct and Overlapping Debt			$ 18,651,850
Net Ratio of Gross Direct and Overlapping Debt to 2022 Net Assessed Valuation			7.96%
Per Capita Gross Direct and Overlapping Debt			$ 5,735.50

Note: The above figures show Gross General Obligation Debt for the Issuer. The Issuer's Net General Obligation Debt is $2,000,000*. Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Ratio of Net Direct and Overlapping Debt to 2022 Net Assessed Valuation	4.76%
Per Capita Net Direct and Overlapping Debt	$ 3,429.23

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

**Included the Certificates. Preliminary, subject to change.*

*** Less than 0.01%.*

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ISSUERS

Governmental Subdivision	Valuation	% of Actual	2021 Tax Rate
Alamo CCD	$ 195,761,502,202	100%	$ 0.149000
Atacosa County	4,637,659,448	100%	$ 0.512000
Bexar County	191,621,280,326	100%	$ 0.289000
Bexar County Hospital District	186,047,152,513	100%	$ 0.276000
Lytle ISD	411,399,034	100%	$ 0.128500
Medina County	4,374,084,631	100%	$ 0.431200
Southwest ISD	4,366,852,648	100%	$ 1.374000

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL SUBDIVISIONS

Issuer	Date of Authorization	Purpose	Amount Authorized	Issued To-Date	Unissued
Alamo CCD	5/6/2017	College Facility	$ 450,000,000	$ 398,000,000	$ 52,000,000
Atacosa County	None				
Bexar County	11/4/2003	Jail, Park & Recreation & Public Safety	$ 178,246,000	$ 116,980,113	$ 61,265,887
Bexar County Hospital District	None				
Medina County	None				
Lytle ISD	None				
Medina County	None				
Southwest ISD	None				
Lytle, City of	None				

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES — TABLE 9

The following statements set forth in condensed form reflect the historical operations of the Issuer. Such summary has been prepared for inclusion herein based upon information obtained from the Issuer's audited financial statements and records. Reference is made to such statements for further and complete information.

	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Fund Balance - Beginning of Year	$ 1,417,813	$ 1,024,286	$ 942,908	$ 847,142	$ 744,350
Revenues	3,277,600	3,088,232	2,794,555	2,686,198	2,563,787
Expenditures	2,553,194	2,237,242	2,339,885	2,284,432	2,166,495
Excess (Deficit) of Revenues Over Expenditures	724,406	850,990	454,670	401,766	397,292
Other Financing Sources (Uses):					
Transfers In	-	7,937	10,263	-	-
Transfers Out	(508,482)	(465,400)	(450,873)	(306,000)	(294,500)
Total Other Financing Sources (Uses)	(508,482)	(457,463)	(440,610)	(306,000)	(294,500)
Net Change in Fund Balance	215,924	393,527	14,060	95,766	102,792
Prior Period Adjustment	-	-	67,318	-	-
Fund Balances at the End of Year	$ 1,633,737	$ 1,417,813	$ 1,024,286	$ 942,908	$ 847,142

Source: City's audited financial reports.
The City's estimated, unaudited General Fund Balance September 30, 2022 will be $1,319,730.50.*
**The drawdown in the Fund Balance is a result of one-time capital expenditures related to street repairs and the acquisition of certain capital equipment for the City.*

EMPLOYEE'S PENSION PLAN AND OTHER POST-EMPLOYMENT BENEFITS — TABLE 10

Information pertaining to the City's Pension plan and other post-employment benefits can be found within the City's Audit under "NOTE J - EMPLOYEE'S RETIREMENT SYSTEMS - Texas Municipal Retirement System" and "NOTE K" - OTHER POST-EMPLOYMENT BENEFIT".

UTILITY PLANT IN SERVICE — TABLE 11

(As of September 30, 2021)

Land	$ 811,571
Buildings & Improvements	2,526
Machines and Equipment	336,307
Infrastructure	9,746,983
Total	$ 10,897,387
Less: Accumulated Depreciation*	$ (5,444,312)
Net Property, Plant and Equipment	$ 5,453,075

**Land and Construction in progress are not depreciated.*
Source: The Issuer's Annual Financial Report.

WATERWORKS, SEWER & GAS SYSTEM OPERATING SYSTEM — TABLE 12

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

Fiscal Year Ended:	9/30/2021	9/30/2020	9/30/2019	9/30/2018	9/30/2017
Revenues	$ 1,577,239	$ 1,418,398	$ 1,450,024	$ 1,235,971	$ 1,425,694
Expenses	1,158,064	968,149	1,020,415	937,512	1,128,675
Net Revenue Available for Debt Service	**$ 419,175**	**$ 450,249**	**$ 429,609**	**$ 298,459**	**$ 297,019**
Customer Count:					
Water	1,429	1,412	1,400	1,390	1,380
Sewer	826	820	814	814	812
Gas	358	361	369	368	37

Source: The Issuer's Annual Financial Report.

The following rates for Commercial and Residential water, sewer and gas rates.

WATER RATES - ALL CUSTOMERS EFFECTIVE 10/19/2019 **TABLE 13**

	In Town Rates	Out of Town Rates
Minimum 0-3,000 gallons	$ 12.00	$ 18.00
Over 3,000 - 10,000 gallons	$1.50 per thousand	$2.25 per thousand
Over 10,000 - 25,000 gallons	$5.50 per thousand	$8.25 per thousand
Over 25,000 - 50,000 gallons	$6.50 per thousand	$9.75 per thousand
Over 50,000 - 75,000 gallons	$7.00 per thousand	$10.50 per thousand
Over 75,000 - 100,000 gallons	$8.000 per thousand	$12.50 per thousand
Over 100,000 gallons	$10.00 per thousand	$15.00 per thousand

SEWER RATES - ALL CUSTOMERS EFFECTIVE 10/17/2018 **TABLE 14**

Base Rate $18,00

Plus $.50 per thousand gallons of water for first 3,000 gallons*

$1.00 per thousand gallons from 3,000 to 10,000 gallons*

$3.00 per thousand gallons over 10,000 to 25,000 gallons*

$4.00 per thousand gallons over 25,000 to 50,000 gallons*

$5.00 per thousand gallons over 50,000 to 75,000 gallons*

$6.00 per thousand gallons over 75,000 to 100,000 gallons*

$7.00 per thousand gallons over 100,000*

**Denotes Average gallons of water used during the months of December, January and February*

GAS RATES - ALL CUSTOMERS EFFECTIVE 10/17/2018 **TABLE 15**

1 - 1,000 cubic feet minimum $15.00

Thereafter $8.00 per thousand cubic feet

PLUS Gas Surcharge, if necessary (6.33 effective 11/2005)

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF LYTLE AND MEDINA COUNTY, TEXAS

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GENERAL INFORMATING REGARDING THE CITY OF LYTLE
AND ATASCOSA COUNTY, TEXAS

Location:

The City of Lytle is on Interstate Highway 35 and U.S. Highway 81 in the far northwest corner of Atascosa County. The City limits extend into neighboring Bexar and Medina Counties. The City is on the main NAFTA route. Lytle is located approximately thirty-five miles from the commercial airport in San Antonio and one hundred and thirty miles from the Mexico border.

Government:

The City operates under the general laws of the State of Texas. The council consists of five aldermen each serves a single member district. The council appoints the City Secretary, who is the City's chief administrative officer.

History:

The town of Lytle was named for John T. Lytle, a rancher and traildriver active in the area in the 1860s and possibly as early as 1846. He was instrumental in establishing Lytle State on the International-Great Northern Railroad in 1882. When a post office was granted in 1883, it was named for the train stop, which was near the Lytle-McDaniel Ranch and had a general store, a bar, and a casketmaker names W.J. Garnand, who became the first postmaster. Lytle as a shipping point and retail center for area ranchers and corn and cotton farmers. In 1884, it had a population of fifty, a union church, a district school, and a physician. By 1892, the community had a population of 100, four general stores, a gin, two livestock breeders, and a Methodist church. In the late 1890's, coal mining became a factor in the area's economy, and the population of Lytle rose to 150 by 1896.

Source: "Lytle, TX", The Handbook of Texas online.

Population Trends:

US Census Report	City of Lytle	Atascosa County
2000	2,383	38,628
2010	2,492	44,911
2020	2,914	48,981
Current Estimate	3,252	53,646

Sources: U.S. Census Bureau and the Issuer.

Education:

Lytle Independent School District is located in a petroleum-producing and agricultural area that includes the City of Lytle. The City is a retail center located 21 miles southwest of San Antonio on I-35. The City's U.S. Census 2020 population was 2,914.

The Schools:

The Lytle Independent School District consists of:

Type of School	Number of Schools
Primary	1
Elementary	1
Middle School	1
High School	1

Enrollment information is as follows:

Historical Enrollment for the District

School Year	Enrollment
2017-18	1,698
2018-19	1,726
2019-20	1,786
2020-21	1,760
2021-22	1,743

ATASCOSA COUNTY

Atascosa County was formed in 1856 from Bexar County. In 2020 the census counted 48,981 people living in Atascosa County, in 2022 the estimated population is 53,646. Its county sea is the City of Jourdanton. The largest towns in the County are Charlotte, Christine, Jourdanton, Leming, Pleasanton and Poteet. Atascosa County is south of San Antonio on Interstate Highway 37 in the Rio Grande Plain region of such central Texas. The county covers 1, 218 square miles of level to rolling land. Elevation ranges from 350 to 700 feet, and the soils are generally deep with loamy surface layers and clayey subsoils. Along the southern borders the light-colored soils have limestone near the surface. In some areas the soils are gray to black, cracking and clayey, and expand and shrink considerably. In the South Texas Plains vegetation area, the subtropical dry-land vegetation consists primarily of cactus, weeds, grasses, thorny shrubs and trees such as mesquite, live oak and post oak. Many of the open grasslands have been seeded with buffalo grass. Between 41 and 50 percent of the county is considered prime farmland. Wildlife in Atascosa County includes white-tailed deer, javelina, turkey, fox squirrel, jackrabbits, foxes, ring-tailed cats, skunks and opossum. The main predators are bobcats and coyotes. Ducks, cranes, and geese migrate across the county. Tanks are stocked with catfish, bass, and sunfish. Mineral resources include clay, uranium, sand and gravel, and oil and gas. Other minerals and products include caliche and clay, lignite coal, construction and industrial sand, sulfur, and uranium.

The area was sparsely settled by the mid-1850s, and in 1856 the county was marked off from Bexar County. The first count seat, Navatasco, was established in 1857 on land donated by Navarro. Among the county's early settlers were Peter Tumlinson, who organized one of the first Ranger companies in the state in 1836, Indian fighter Thomas Rodriguez, George F. Hindes, Marshall Burney, and Eli Johnson. In 1858 Pleasanton, a newly founded community, became county seat, and a new courthouse was constructed. Settlers continued to trickle in, but the threat of Indian attacks, poor roads, and the area's general isolation kept the population low.

Hunters are attracted to the county, particularly during the fall and winter deer seasons. Other leading attractions include the Poteet Strawberry Festival, Jourdanton Days Celebration, and the Cowboy Homecoming and Rodeo in Pleasanton.

Economy:

Atascosa County is located in south Texas and sits atop the Eagle Ford Shale play. Atascosa county is almost entirely in the liquids-rich or oil window of the eagle Ford Shale. Primarily, drilling in Atascosa County targets the Eagle Ford Shale in the southern and eastern portions of the county where operators refer to both the crude oil and volatile oil windows.

Oil has played a major roll in the economy for south Texas. **The Eagle Ford Shale** (EFS) is quite possibly the largest single economic development in the history of the state of Texas and ranks as the largest oil & gas development in the world based on capital invested. Almost $30 billion was spent developing the play in 2013. The Eagle Ford had more than a $60 billion dollar impact on the local South Texas economy in 2012 and over 116,000 Eagle Ford jobs were supported in the 20 county area impacted by the play. Add the jobs created in surrounding counties and the picture of a modern oil boom begins to take shape.

From record drilling levels to wells producing over 4,000 b/d of oil initially, the play is redefining South Texas as an oil industry hotbed. If you own a business in South Texas, begin thinking about how the Eagle Ford is changing the economic landscape and your future. Oil & gas production is bringing new found wealth to the region.

Source: Eagle Ford Shale.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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September 28, 2022

CITY OF LYTLE, TEXAS
COMBINATION TAX AND LIMITED PLEDGE
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022
DATED AS OF AUGUST 15, 2022
IN THE AGGREGATE PRINCIPAL AMOUNT OF $____________

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

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 Certificates including (i) the ordinance authorizing the issuance of the Certificates (the *Ordinance*), (ii) one of the executed Certificates (*Certificate No. T-1*), and (iii) the City's Federal Tax Certificate of even date herewith.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been authorized, issued and delivered in accordance with law; that the Certificates 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 Certificates and to repay the Certificates; that ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Certificates, as such interest comes due, and as such principal matures, have been levied and ordered to be levied against all taxable property in the City, and have been pledged for such payment, within the limits prescribed by law; and that "Surplus Revenues" (as such term is defined and described in the Ordinance) received by the City from the ownership and operation of the City's combined utility system have been pledged to further secure the payment of the Certificates in the manner set forth in the Ordinance.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates 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 Certificates are not "specified private activity bonds" and that, accordingly, interest on the Certificates 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 Certificates 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 Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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 Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

WE CALL YOUR ATTENTION TO THE FACT that the interest on tax-exempt obligations, such as the Certificates, may be includable in a corporation's adjusted financial statement income for purposes of determining the alternative minimum tax imposed on certain corporations by section 55 of the Code.

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 Certificates. 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 Certificates as includable in gross income for federal income tax purposes.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates 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 Certificates under the Constitution and the general laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates 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 Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates 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 Certificates has been limited as described therein

Respectfully,

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APPENDIX D

FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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LYTLE

"A City on the Grow"

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
SEPTEMBER 30, 2021

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CITY OF LYTLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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FINANCIAL SECTION

CITY OF LYTLE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2021

PRINCIPAL OFFICERS

CITY OFFICIALS

MAYOR	RUBEN GONZALEZ
ALDERMEN	JOSEPH MORROW
	SAM CORTEZ
	DAVID EMERY
	JERRY STONE
	CHARLES CATE
CITY SECRETARY	JOSIE CAMPA

INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor and Members of the City Council
City of Lytle, Texas

Report on the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lytle as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise City of Lytle's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lytle, as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Lytle and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

The City of Lytle's 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lytle's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City of Lytle's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Lytle's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, schedule of employer pension contributions, and schedules of changes in total other postemployment benefit liabilities (as listed in table of contents), be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Lytle's basic financial statements as a whole. The comparative and combining fund financial statements -nonmajor are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinions on the financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Armstrong, Vaughan & Associates, P.C.

Armstrong, Vaughan & Associates, P.C.

May 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Lytle's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended September 30, 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 $10.5 million at September 30, 2021.

- The City's governmental expenses were $241 thousand less than the $3.4 million generated in general and program revenues for governmental activities, including transfers and payments in lieu of taxes. The total cost of the City's governmental programs increased 9%.

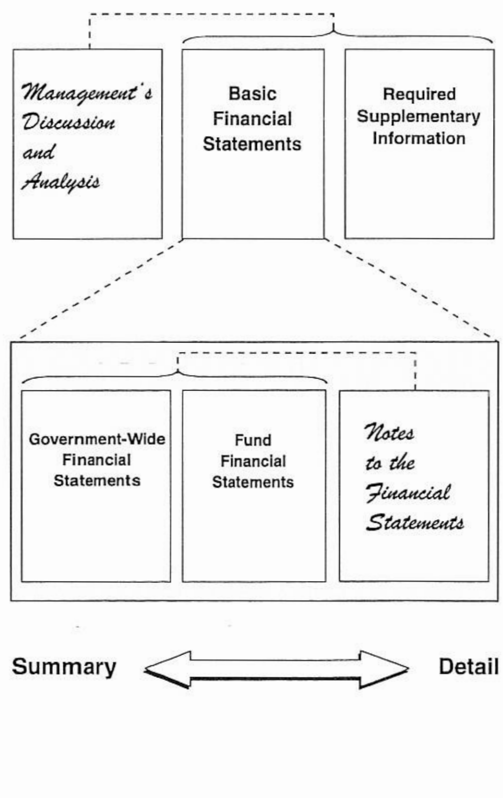
- The City's business-type expenses (including transfers and payments in lieu of taxes) were $359 thousand less than the $1.6 million generated in charges for services and other revenues. The total cost of the City's business-type activities increased 19%.

- The general fund reported a fund balance of $1.6 million, an increase of $216 thousand, largely due to increased sales tax revenues and decreased capital outlay for streets and buildings.

- No new debt was issued.

OVERVIEW OF THE FINANCIAL STATEMENTS

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



This annual report consists of three parts—*management's discussion and analysis* (this section), the *basic financial statements*, *and required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- 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-* 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 related to one another.

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

		Fund Statements	
Type of Statements	Government-wide	Governmental Funds	Proprietary Funds
Scope	Entire City's government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary	Activities of the City that operate similar to private businesses: electric , water airport, and sanitation
Required financial statements	• Statement of net position	• Balance Sheet	• Statement of net position
	• Statement of activities	• Statement of revenues, expenditures & changes in fund balances	• Statement of revenues, expenses & changes in net position •Statement of cash flows
Accounting basis and 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

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.

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 assets and liabilities. 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 and liabilities—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 non-financial factors such as changes in the City's tax base.
- The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general government, public safety, streets, culture and recreation, environmental protection, and interest on long-term debt. Property taxes and charges for services finance most of these activities.

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 on the subsequent page, which explains 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

The City's combined net position was $10.5 million at September 30, 2021. (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets:						
Current Assets	$ 1,909,083	$ 1,670,430	$ 1,506,341	$ 972,310	$ 3,415,424	$ 2,642,740
Other Assets	-	4,926	664,116	373,593	664,116	378,519
Capital Assets (net)	3,279,499	3,317,535	5,453,075	5,499,149	8,732,574	8,816,684
Total Assets	5,188,582	4,992,891	7,623,532	6,845,052	12,812,114	11,837,943
Deferred Outflows:	144,519	111,945	69,216	153,818	213,735	265,763
Liabilities:						
Current Liabilities	196,970	168,027	614,596	194,153	811,566	362,180
Long-Term Liabilities	1,417,903	1,528,025	194,865	208,900	1,612,768	1,736,925
Total Liabilities	1,614,873	1,696,052	809,461	403,053	2,424,334	2,099,105
Deferred Inflows:	88,691	19,789	19,463	91,508	108,154	111,297
Net Position:						
Net Invested in Capital Assets	2,205,159	2,173,667	5,453,075	5,499,149	7,658,234	7,672,816
Restricted	-	149,397	5,472,538	326,629	5,472,538	476,026
Unrestricted	1,424,378	1,065,931	1,084,120	678,531	2,508,498	1,744,462
Total Net Position	$ 3,629,537	$ 3,388,995	$ 12,009,733	$ 6,504,309	$ 15,639,270	$ 9,893,304

In the year ending September 30, 2021:

Governmental Activities

- Total assets increased by $195 thousand to $5.2 million.
- Total liabilities decreased by $81 thousand to $1.6 million.
- Total net position increased by $241 thousand to $3.6 million.

Business-Type Activities

- Total assets increased by $778 thousand to $7.6 million.
- Total liabilities increased by $406 thousand to $809 thousand.
- Total net position increased by $360 thousand to $6.9 million.

Total

- Total assets increased by $974 thousand to $12.8 million.
- Total liabilities decreased by $325 thousand to $2.4 million.
- Total net position increased by $600 thousand to $10.5 million.

Table A-2
Changes in City's Net Position

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for Services	$ 337,359	$ 736,021	$ 1,550,953	$ 1,396,112	$ 1,888,312	$ 2,132,133
Operating Grants and Contributions	522,839	165,275	-	-	522,839	165,275
General Revenues:						
Taxes	2,482,265	2,362,523	-	-	2,482,265	2,362,523
Interest Earnings	2,677	4,855	247	1,893	2,924	6,748
Miscellaneous	84,579	49,981	26,039	18,643	110,618	68,624
TOTAL REVENUES	3,429,719	3,318,655	1,577,239	1,416,648	5,006,958	4,735,303
Program Expenses:						
Administration	608,187	519,218	-	-	608,187	519,218
Public Safety	1,516,378	1,478,669	-	-	1,516,378	1,478,669
Environmental Protection	492,322	383,454	-	-	492,322	383,454
Culture and Recreation	217,586	248,511	-	-	217,586	248,511
Public Streets	224,383	157,176	-	-	224,383	157,176
Water	-	-	638,308	477,570	638,308	477,570
Gas	-	-	423,454	386,049	423,454	386,049
Sewer	-	-	242,542	234,989	242,542	234,989
Interest on Debt	43,741	50,131	-	-	43,741	50,131
TOTAL EXPENSES	3,102,597	2,837,159	1,304,304	1,098,608	4,406,901	3,935,767
Transfers	(86,580)	(159,488)	86,580	159,488	-	-
Change in Net Position	240,542	322,008	359,515	477,528	600,057	799,536
Beginning Net Position	3,388,995	3,066,987	6,504,309	6,026,781	9,893,304	9,093,768
Ending Net Position	$ 3,629,537	$ 3,388,995	$ 6,863,824	$ 6,504,309	$ 10,493,361	$ 9,893,304

Governmental Activities

- Property tax rates for the fiscal year ending September 30, 2021 decreased which led to a decrease in ad valorem tax revenue of 5% to $778 thousand.
- Sales tax collections increased to $1.4 million.
- Program expenses increased by 9%.

Business-Type Activities

- Total revenues from all business-type activities increased by an average of 38% due to an increase in rates and increased population.
- Expenses increased by an average of 18%. Water expense increased by 32%, gas utilities increased by 10% and Sewer increased by 2%.

Table A-3 presents the cost of each of the City's largest 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 was funded by grants as well as local tax dollars. The cost of all *governmental* activities this year was $3.06 million. Taxpayers paid for 78% of these activities through property, sales and franchise taxes of $2.4 million. 28% of the cost was paid by those who directly benefited from the programs. Business-type activities charges for services equaled 120% of expenses.

Table A-3

Net Cost of Selected City Functions

	Total Cost of Services		Net Cost of Services	
	2021	2020	2021	2020
Administration	$ 608,187	$ 519,218	$ 559,741	$ 478,675
Public Safety	1,516,378	1,478,669	1,224,965	1,082,015
Environmental Protection	492,322	383,454	(28,017)	(80,645)
Culture and Recreation	217,586	248,511	217,586	248,511
Public Streets	224,383	157,176	224,383	157,176
Water	638,308	477,570	(118,861)	(201,772)
Gas	423,454	386,049	29,910	17,657
Sewer	242,542	234,989	(157,698)	(113,389)

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

- The General fund increased its fund balance by $216 thousand.
- Total nonmajor funds fund balance decreased by $2 thousand.
- The water and sewer funds generated sufficient operating revenues to cover operating expenses and debt service.

Budgetary Highlights

- General Fund revenues were less than the budget by $146 thousand, mostly from lower than expected service charges and miscellaneous revenues.
- General Fund expenditures were $546 thousand under budget. A large portion of the savings was from less than expected culture and recreation, and public streets expenditures.
- The General Fund balance increased $216 thousand, which was $85 thousand less than what the final budget projected.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of September 30, 2021, the City had invested $8.7 million in a broad range of capital assets, including land, equipment, buildings, and vehicles. Significant additions were made to the City's Water Utility infrastructure. (See Table A-4)

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

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 120	$ 120	$ 812	$ 812	$ 932	$ 932
Buildings and Improvements	2,866	2,827	3	3	2,869	2,830
Infrastructure	1,101	1,101	9,747	9,747	10,848	10,848
Equipment	720	729	335	236	1,055	965
Totals at Historical Cost	4,807	4,777	10,897	10,798	15,704	15,575
Total Accumulated Depreciation	(1,528)	(1,459)	(5,444)	(5,298)	(6,972)	(6,757)
Net Capital Assets	$ 3,279	$ 3,318	$ 5,453	$ 5,500	$ 8,732	$ 8,818

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

Long Term Debt

The City had bonds payable at year end as outlined in Table A-5. No new debt was issued during the 2021 fiscal year. More detailed information about the City's debt is presented in the notes H and I to the financial statements.

City's Long-Term Debt
(in thousands dollars)

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Bonds Payable	$ 1,020	$ 1,085	$ -	$ -	$ 1,020	$ 1,085
Total Long-Term Debt	$ 1,020	$ 1,085	$ -	$ -	$ 1,020	$ 1,085

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

For the 2021-2022 year, the City decreased the property tax rate from $0.4154 to $0.3905. However, property value growth is expected to offset the decrease in the rate. The City intends to maintain current service levels to the citizens, while containing and reducing overall operational costs. Any increases in revenue are targeted towards improving working capital and fund capital improvements. The City plans to continue water system rehabilitation efforts associated with its capital improvement program.

The City of Lytle's revenue trends are generally up over the past years especially in property tax revenue. In the coming years, we expect sales tax revenue to increase along with property tax revenue. This is important as the City continues to invest in capital improvement projects especially with its projected growth. This is key as the City needs to bring its second water well operational in the near future in order to keep up with its demands. The City plans to continue water system rehabilitation efforts associated with its five-year Capital Improvement Program while maintaining current service levels to their citizens.

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 City Hall at (830) 709-3692 or visit the City's website at www.Lytletx.org.

LYTLE

"A City on the Grow"

BASIC FINANCIAL STATEMENTS

The basic financial statements include integrated sets of financial statements as required by the GASB. The sets of statements include:

- Government – Wide Financial Statements
- Fund Financial Statements:
    - Governmental Funds
    - Proprietary Funds

In addition, the notes to the financial statements are included to provide information that is essential to a user's understanding of the basic financial statements.

LYTLE

"A City on the Grow"

CITY OF LYTLE
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Cash Equivalents	$ 1,377,915	$ 1,343,402	$ 2,721,317
Ad Valorem Tax Receivable (Net)	88,973	-	88,973
Sales Tax Receivables (Net)	291,612	-	291,612
Other Receivables (Net)	117,902	163,030	280,932
Internal Balances	24,302	(24,302)	-
Inventory	8,379	24,211	32,590
Restricted Cash and Cash Equivalents	-	664,116	664,116
Capital Assets (net)	3,279,499	5,453,075	8,732,574
TOTAL ASSETS	5,188,582	7,623,532	12,812,114
DEFERRED OUTFLOWS			
Deferred Pension/OPEB Related Outflows	144,519	69,216	213,735
TOTAL DEFERRED OUTFLOWS	144,519	69,216	213,735
LIABILITIES			
Accounts Payable	61,786	60,659	122,445
Accrued Interest	3,846	-	3,846
Accrued Wages	29,386	9,219	38,605
Accrued Compensated Absences	80,838	58,971	164,896
Deposits and Unearned Revenue	21,114	485,747	506,861
Long-term Liabilities			
Long-term Debt Due in One Year	60,000	-	60,000
Long-term Debt Due in More than One Year	1,014,340	-	1,014,340
Total OPEB Liabilities Due in More than One Year	32,698	15,189	47,887
Net Pension Liability Due in More than One Year	310,865	179,676	490,541
TOTAL LIABILITIES	1,614,873	809,461	2,449,421
DEFERRED INFLOWS			
Deferred Pension/OPEB Related Inflows	88,691	19,463	108,154
TOTAL DEFERRED INFLOWS	88,691	19,463	108,154
NET POSITION			
Net Investment in Capital Assets	2,205,159	5,453,075	7,658,234
Restricted	-	326,629	326,629
Unrestricted	1,424,378	1,084,120	2,483,411
TOTAL NET POSITION	$ 3,629,537	$ 6,863,824	$ 10,468,274

See accompanying notes to basic financial statements.

CITY OF LYTLE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions and Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
Administration	$ 608,187	$ 48,446	$ -
Public Safety	1,516,378	288,913	2,500
Environmental Protection	492,322	-	520,339
Culture and Recreation	217,586	-	-
Public Streets	224,383	-	-
Interest and Premium on Long-term Debt	43,741	-	-
Total Governmental Activities	3,102,597	337,359	522,839
Business-Type Activities:			
Water	638,308	757,169	-
Gas	423,454	393,544	-
Sewer	242,542	400,240	-
Total Business-Type Activities	1,304,304	1,550,953	-
Total Primary Government	$ 4,406,901	$ 1,888,312	$ 522,839
General Revenues:			
Taxes			
Ad Valorem Taxes			
Sales Taxes			
Franchise Taxes			
Other Taxes			
Interest and Investment Earnings			
Miscellaneous			
Total General Revenues			
Transfers			
Change in Net Position			
Net Position at Beginning of Year			
Net Position at End of Year			

See accompanying notes to basic financial statements.

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-Type Activities	Total
$ (559,741)		$ (559,741)
(1,224,965)		(1,224,965)
28,017		28,017
(217,586)		(217,586)
(224,383)		(224,383)
(43,741)		(43,741)
(2,242,399)		(2,242,399)
	$ 118,861	118,861
	(29,910)	(29,910)
	157,698	157,698
	246,649	246,649
		(1,995,750)
777,793	-	777,793
1,437,147	-	1,437,147
166,095	-	166,095
101,230	-	101,230
2,677	247	2,924
84,579	26,039	110,618
2,569,521	26,286	2,595,807
(86,580)	86,580	-
240,542	359,515	600,057
3,388,995	6,504,309	9,893,304
$ 3,629,537	$ 6,863,824	$ 10,493,361

CITY OF LYTLE
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	Major Fund General Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 1,294,006	$ 83,909	$ 1,377,915
Ad Valorem Taxes Receivable (Net)	74,623	14,350	88,973
Sales Taxes Receivable (Net)	291,612	-	291,612
Other Receivables (Net)	117,902	-	117,902
Inventory	8,379	-	8,379
Due from Other Funds	24,302	-	24,302
TOTAL ASSETS	$ 1,810,824	$ 98,259	$ 1,909,083
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts Payable	$ 61,785	$ -	$ 61,785
Accrued Wages	19,565	9,820	29,385
Deposits and Unearned Revenue	21,114	-	21,114
Total Liabilities	102,464	9,820	112,284
Deferred Inflows of Resources:			
Unavailable Property Tax Revenue	74,623	19,640	94,263
Total Deferred Inflows of Resources	74,623	19,640	94,263
Fund Balances:			
Nonspendable for Prepaid Expenses	8,379	-	8,379
Committed for:			
Library Fund	-	70,315	70,315
Animal Care Fund	-	3,774	3,774
Unassigned	1,625,358	-	1,625,358
Total Fund Balances	1,633,737	74,089	1,707,826
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 1,810,824	$ 103,549	$ 1,914,373

See accompanying notes to basic financial statements.

CITY OF LYTLE
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

TOTAL FUND BALANCE - TOTAL GOVERNMENTAL FUNDS		$ 1,707,826
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		3,279,499
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.		94,261
Accrued compensated absences are not due and payable in the current period and, therefore, not reported in the funds.		(80,838)
Long-term liabilities, including capital leases and related accrued interest, are not due and payable in the current period and, therefore not reported in the funds.		(1,078,186)
Net pension and total other post-employment liabilities (and related deferred outflows and inflows of resources) do not consume or create current financial resources and are not reported in the funds.		
Net Pension Liability	(310,865)	
Total OPEB Liability	(32,698)	
Pension/OPEB Related Deferred Outflows	144,519	
Pension/OPEB Related Deferred Inflows	(88,691)	(287,735)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		$ 3,634,827

See accompanying notes to basic financial statements.

CITY OF LYTLE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Major Fund General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Ad Valorem Taxes	$ 647,676	$ 119,023	$ 766,699
Sales Taxes	1,437,147	-	1,437,147
CARES Act Grant	520,339	-	520,339
Franchise Taxes	166,095	-	166,095
Other Taxes	101,230	-	101,230
Licenses and Permits	48,447	-	48,447
Grants and Donations	-	13,137	13,137
Fines and Penalties	288,913	-	288,913
Interest Income	2,484	199	2,683
Miscellaneous	65,269	8,675	73,944
TOTAL REVENUES	3,277,600	141,034	3,418,634
EXPENDITURES			
Current:			
General Government	552,106	-	552,106
Public Streets	193,340	-	193,340
Public Safety	1,277,693	271,894	1,549,587
Environmental Protection	492,322	271,894	764,216
Culture and Recreation	37,733	175,896	213,629
Debt Service:			
Principal	-	65,000	65,000
Interest and Fiscal Charges	-	48,425	48,425
TOTAL EXPENDITURES	2,553,194	833,109	3,386,303
Excess (Deficiency) of Revenues Over (Under) Expenditures	724,406	(692,075)	32,331
OTHER FINANCING SOURCES (USES)			
Transfers Out	(508,482)	(5,598)	(514,080)
Transfers In	-	427,500	427,500
TOTAL OTHER FINANCING SOURCES (USES)	(508,482)	421,902	(86,580)
Net Change in Fund Balance	215,924	(270,173)	(54,249)
Fund Balances at Beginning of Year	1,417,813	72,368	1,490,181
Fund Balances at End of Year	$ 1,633,737	$ (197,805)	$ 1,435,932

See accompanying notes to basic financial statements.

CITY OF LYTLE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2021

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS		$ (54,249)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives reported as depreciation expense.		
Capital Outlay	93,942	
Depreciation	131,978	(38,036)
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		11,092
Governmental funds report required contributions to employee pensions and other post-employment benefits (OPEB) as expenditures. However in the Statement of Activities the cost of these benefits are recorded based on the actuarially determined cost of the plan. This is the amount that contributions exceeded (fell short of) the actuarially determined plan expenses.		
Pension Plan	(4,396)	
Other Post-employment Benefits	8,656	4,260
The issuance of long-term debt (e.g. bonds and capital leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Principal Payments	65,000	
Amortization of Bond Premium	4,528	69,528
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Change in Compensated Absences	(24,103)	
Change in Accrued Interest	156	(23,947)
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES		$ (31,352)

See accompanying notes to basic financial statements.

CITY OF LYTLE
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Business-Type Activities			Total
	Water	Gas	Sewer	Proprietary
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 587,334	$ 390,889	$ 365,179	$ 1,343,402
Receivables (net of allowances for uncollectible)	91,171	32,385	39,474	163,030
Due From Other Funds	20,170	3,100	-	23,270
Inventory	14,772	8,201	1,238	24,211
Total Current Assets	713,447	434,575	405,891	1,553,913
Noncurrent Assets:				
Restricted Cash for Construction	408,978	-	255,138	664,116
Property and Equipment (net)	3,870,152	28,741	1,554,182	5,453,075
Total Noncurrent Assets	4,279,130	28,741	1,809,320	6,117,191
TOTAL ASSETS	4,992,577	463,316	2,215,211	7,671,104
DEFERRED OUTFLOWS OF RESOURCES				
Pension/OPEB Related Deferred Outflows	41,587	17,014	10,615	69,216
TOTAL DEFERRED OUTFLOWS	41,587	17,014	10,615	69,216
LIABILITIES			21,230	
Current Liabilities:				
Accounts Payable	58,777	1,514	368	60,659
Accrued Wages	4,021	2,746	2,452	9,219
Accrued Compensated Absences	36,819	18,328	3,824	58,971
Deposits and Unearned Revenue	447,761	24,336	13,650	485,747
Due to Other Funds	-	12,404	35,168	47,572
Total Current Liabilities	547,378	59,328	55,462	662,168
Long-term Liabilities:				
Total OPEB Liability	6,979	5,766	2,444	15,189
Net Pension Liability	87,856	64,179	27,641	179,676
Total Long-term Liabilities	94,835	69,945	30,085	194,865
TOTAL LIABILITIES	642,213	129,273	85,547	857,033
DEFERRED INFLOWS OF RESOURCES				
Pension/OPEB Related Deferred Inflows	14,883	828	3,752	19,463
TOTAL DEFERRED INFLOWS	14,883	828	3,752	19,463
NET POSITION				
Net Investment In Capital Assets	3,870,152	28,741	1,554,182	5,453,075
Restricted	408,978	-	255,138	664,116
Unrestricted	97,938	321,488	327,207	746,633
TOTAL NET POSITION	$ 4,377,068	$ 350,229	$ 2,136,527	$ 6,863,824

CITY OF LYTLE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR SEPTEMBER 30, 2021

	Business-Type Activities			Total
	Water	Gas	Sewer	Proprietary
OPERATING REVENUES				
Charges for Utility Service	$ 757,169	$ 393,544	$ 400,240	$ 1,550,953
Miscellaneous Charges	13,111	11,031	1,897	26,039
TOTAL OPERATING REVENUES	770,280	404,575	402,137	1,576,992
OPERATING EXPENSES				
Personnel	203,764	180,862	89,554	474,180
Materials and Supplies	251,971	1,570	6,737	260,278
Services	82,525	132,091	101,041	315,657
Gas Purchased	-	107,949	-	107,949
Depreciation	100,048	982	45,210	146,240
TOTAL OPERATING EXPENSES	638,308	423,454	242,542	1,304,304
OPERATING INCOME (LOSS)	131,972	(18,879)	159,595	272,688
NONOPERATING REVENUES (EXPENSES)				
Interest Income	123	98	26	247
TOTAL NONOPERATING	123	98	26	247
			52	
INCOME (LOSS) BEFORE TRANSFERS	132,095	(18,781)	159,621	272,935
TRANSFERS				
Transfers Out	86,580	-	-	86,580
TOTAL TRANSFERS	86,580	-	-	86,580
CHANGE IN NET POSITION	218,675	(18,781)	159,621	359,515
BEGINNING NET POSITION	4,158,393	369,010	1,976,906	6,504,309
ENDING NET POSITION	$ 4,377,068	$ 350,229	$ 2,136,527	$ 6,863,824

CITY OF LYTLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Business-Type Activities			
	Water	Gas	Sewer	Total Proprietary
Cash Flows From Operating Activities:				
Cash Received From Customers	$ 1,141,726	$ 401,546	$ 402,271	$ 1,945,543
Cash Paid to Employees for Services	(195,355)	(176,987)	(86,142)	(458,484)
Cash Paid to Suppliers for Goods and Services	(270,274)	(261,281)	(107,203)	(638,758)
Net Cash Provided (Used) by Operating Activities	676,097	(36,722)	208,926	848,301
Cash Flows From Noncapital Financing Activities:				
Transfers	86,580	-	-	86,580
Net Cash Provided (Used) by Noncapital Financing Activities	86,580	-	-	86,580
Cash Flows From Capital and Related Financing Activities:				
Purchase of Capital Assets	(30,782)	-	(69,385)	(100,167)
Net Cash Provided (Used) by Capital and Related Financing Activities	(30,782)	-	(69,385)	(100,167)
Cash Flows From Investing Activities:				
Investment Interest Received	123	98	26	247
Net Cash Provided (Used) by Investing Activities	123	98	26	247
Net Increase (Decrease) in Cash and Cash Equivalents	732,018	(36,624)	139,567	834,961
Beginning of Year:				
Cash and Cash Equivalents	93,656	427,513	324,759	845,928
Restricted Cash	170,638	-	155,991	326,629
Total Beginning of Year	264,294	427,513	480,750	1,172,557
End of Year:				
Cash and Cash Equivalents	587,334	390,889	365,179	1,343,402
Restricted Cash	408,978	-	255,138	664,116
Total End of Year	$ 996,312	$ 390,889	$ 620,317	$ 2,007,518

CITY OF LYTLE
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water	Gas	Sewer	Proprietary Funds
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	$ 131,972	$ (18,879)	$ 159,595	$ 272,688
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation Expense	100,048	982	45,210	146,240
(Increase) Decrease in Operating Assets:				
Accounts Receivable (net)	(10,005)	(1,799)	(541)	(12,345)
Prepaid Expenses	-	-	950	950
Inventory	22,457	(416)	(238)	21,803
(Increase) Decrease in Deferred Outflows:				
Pension/OPEB Related Deferred Outflows	31,473	39,512	13,617	84,602
Increase (Decrease) in Current Liabilities:				
Accounts Payable	41,765	(19,255)	(137)	22,373
Accrued Wages	1,493	149	1,895	3,537
Accrued Compensated Absences	7,555	4,334	1,748	13,637
Deposits and Unearned Revenue	381,451	(1,230)	675	380,896
Total OPEB Liability	950	897	342	2,189
Net Pension Liability	(7,040)	(6,651)	(2,533)	(16,224)
Increase (Decrease) in Deferred Inflows:				
Pension/OPEB Related Deferred Inflows	(26,022)	(34,366)	(11,657)	(72,045)
Total Adjustments to Reconcile Operating Activities	544,125	(17,843)	49,331	575,613
Net Cash Provided (Used) by Operating Activities	$ 676,097	$ (36,722)	$ 208,926	$ 848,301

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Lytle, Texas ("City") was incorporated by an election on October 27, 1951 and the actual incorporation date is listed as October 29, 1951. The city operates under a general law type of government. The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The **government-wide financial statements** include the statement of net position and the statement of activities. Government-wide statements report information on all of the activities of the City. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

The statement of activities reflects the degree to which the direct expenses of a given function or segments are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included in program revenues are reported as general revenues.

Separate **fund financial statements** are provided for governmental funds and proprietary funds. The General Fund meets the criteria as a ***major governmental fund***. All of the City's proprietary funds are all major funds.

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This measurement focus is also used for the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenue types which have been accrued consist of revenue from the investments, property taxes, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

Revenues are classified as *program revenues* and *general revenues*. Program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. General revenues include all taxes, grants not restricted to specific programs, investment earnings, and other miscellaneous revenues.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (CONT.)

Governmental fund level financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred inflows.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences, pension benefits and other post-employment benefits, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental fund:

The General Fund is the general operating fund of the City and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, sales and franchise taxes, charges for services and fines. Primary expenditures are for general government, public streets, public safety, environmental protection, culture and recreation, and public works.

Proprietary fund level financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is upon determination of net income, financial position and cash flows. The City's Proprietary Funds are the Water, Gas and Sewer.

The **Proprietary Funds** are accounted for using the accrual basis of accounting as follows:

1. Revenues are recognized when earned, and expenses are recognized when the liabilities are incurred.

2. Current-year contributions, administrative expenses and benefit payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from non-operating. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the City.

Cash is reported as restricted only if the restriction on the cash is narrower than the purpose of the fund as a whole. For the City, these balances generally consist of the unspent bond proceeds for specific projects.

4. INVESTMENTS

State statutes authorize the City to invest in (a) obligations of the United States or its agencies and instrumentalities; (b) direct obligations of the State of Texas or its agencies; (c) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; (d) obligations of states, agencies, counties, cities, and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent; (e) certificates of deposit by state and national banks domiciled in this state that are (i) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or, (ii) secured by obligations that are described by (a) - (e). Statutes also allow investing in local government investment pools organized and rated in accordance with the Interlocal Cooperation Act, whose assets consist exclusively of the obligations of the United States or its agencies and instrumentalities and repurchase assessments involving those same obligations. Earnings from these investments are added to each account monthly or quarterly. Investments are carried at fair market value except for certificates of deposit and qualifying external investment pools which are carried at amortized cost.

5. ACCOUNTS RECEIVABLE

Property taxes are levied based on taxable value at January 1 prior to September 30 and become due October 1, 2020 and past due after January 31, 2021. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior years' levy are shown net of an allowance for uncollectibles of $13,169 and $2,532 in the general and debt service funds, respectively.

Accounts receivable from other governments include amounts due from grantors for approved grants for specific programs and reimbursements for services performed by the City. Program grants are recorded as receivables and revenues at the time all eligibility requirements established by the provider have been met.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by the court action and billable services for certain contracts. Revenues received in advance of the costs being incurred are recorded as deferred revenue in the fund statements. Receivables are shown net of an allowance for uncollectibles.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. SHORT-TERM INTERFUND RECEIVABLES/PAYABLES

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

7. DEFERRED INFLOWS AND OUTFLOWS OF RESOURCES

A deferred outflow of resources is a consumption of net position that is applicable to a future reporting period while a deferred inflow of resources is an acquisition of net position. These items are presented in separate sections following assets (deferred outflows) or liabilities (deferred inflows) on the statement of net position.

Property tax revenues are recognized when they become both measurable and available in the fund statements. Available means when due, or past due, and receivable within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Property tax revenue not expected to be available for the current period are reflected as deferred revenue. Unavailable revenues arise when assets are recognized before revenue recognition criteria have been satisfied. Grant and reimbursement revenues received in advance of expenses/expenditures are reflected as unearned revenue.

8. CAPITAL ASSETS

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets, are reported in the applicable governmental or business type activities column in the government-wide financial statements. Capital assets such as equipment are defined as assets with a cost of $5,000 or more and a useful life in excess of 1 year. Infrastructure assets include City-owned streets, sewer, sidewalks, curbs and utilities. Capital assets are recorded at historical costs if purchased or constructed. In general, donated capital assets are recorded at estimated fair market value at the date of donation. However, donated works of art and capital assets received in a service concession arrangement are reported at acquisition value.

The Costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest has not been capitalized during the construction period on property plant and equipment.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset	Estimated Life
Buildings and Improvements	20 to 50 years
Streets, Utilities and Infrastructure	30 to 50 years
Furniture, Fixtures, Vehicles	5 years

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

9. INVENTORY

Inventory consists of utility supplies. The inventory is recorded at cost using the first in/first out method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

10. COMPENSATED ABSENCES

Full-time employees earn vacation leave at varying rates depending on length of service. Up to 240 hours may be carried over annually based on the employee's length of service. Accumulated vacation leave is paid on termination. Full-time employees earn sick leave at 1 day per month. Unused sick leave is paid upon retirement (up to 160 hours or one fourth of his/her accumulated sick time, whichever is less) but not paid upon termination. Upon retirement an employee may either receive monetary value or early retirement for 16 hours or one fourth of the amount of accumulated sick leave whichever is less.

Liabilities for compensated absences are recognized in the fund statements only to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

11. LONG-TERM OBLIGATIONS

In the government-wide financial statements, long-term debt (including capital leases) and other long-term obligations are reported as liabilities under governmental activities or proprietary fund type statement of net position. On new bond issues, bond premiums and discounts are deferred and amortized over the life of the bond. Bond issuance costs are expensed as incurred.

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

12. PENSIONS

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

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

13. OTHER POST-EMPLOYMENT BENEFITS (OPEB)

The total OPEB liability (and related deferred inflows and outflows of resources) and OPEB expense of the TMRS supplemental death benefits fund, have been determined on the same basis as they are reported by TMRS.

14. FUND BALANCES

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – Represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid items) or legally required to remain intact.

Restricted - Represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed - Represents amounts that can only be used for a specific purpose by a resolution of City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints through the same formal action.

Assigned - Represents amounts which the City intends to use for a specific purpose but do not meet the criteria of restricted or committed. Assignments may be created by the Council, City Manager or Finance Director.

Unassigned - Represents the residual balance that may be spent on any other purpose of the City.

When an expenditure is incurred for a purpose in which multiple classifications are available, the City considers restricted balances spent first, committed second and assigned third.

15. NET POSITION

Net position represents the difference between assets and liabilities. Net position invested in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

16. OPERATING REVENUES AND EXPENSES

Operating revenues are those revenues that are generated directly from the primary activity of the enterprise. Operating expenses are the necessary costs incurred to provide the service that is the primary activity. Revenues and expenses not meeting these definitions are reported as nonoperating.

NOTE A -- SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

17. INTERFUND TRANSFERS

Legally authorized transfers are treated as interfund transfers and are included in the results of operations of both Governmental and Proprietary Funds.

18. USE OF ESTIMATES

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

NOTE B -- DEPOSITS AND INVESTMENTS

1. Deposits

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 pledge 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. At September 30, 2021, the carrying amount of the City's deposits were fully collateralized by a combination of federal deposit insurance (FDIC) and securities pledged by the City's depository.

2. Investments

The City's investments at September 30, 2021 consist of $837,195 in certificates of deposit covered by pledged securities from the City's depository. The certificates are reported at amortized cost.

3. 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. The City has reviewed its risk exposure and does not believe it is exposed to significant credit risk, custodial credit risk, or concentration of credit risk.

NOTE C -- PROPERTY TAX CALENDAR

The City's property tax is levied and becomes collectible each October 1 based on the assessed values listed as of the prior January 1, which is the date a lien attaches to all taxable property in the City. Assessed values are established by the Bexar, Atascosa and Medina County Appraisal Districts at 100% of estimated market value. Assessed values are reduced by lawful exemptions to arrive at taxable values. A revaluation of all property is required to be completed every four (4) years. The total taxable value as of January 1, 2020, upon which the fiscal 2021 levy was based, was $182 million (i.e., market value less exemptions). The estimated market value was $218 million, making the taxable value 94% of the estimated market value.

The City is permitted by the Constitution of the State of Texas to levy taxes up to $2.50 per $100 of taxable assessed valuation for all governmental purposes. The combined tax rate to finance general governmental services, including the payment of principal and interest on long-term debt, for the year ended September 30, 2021, was $0.4154 per $100 of assessed value, which means that the City has a tax margin of $2.0846 for each $100 value and could increase its annual tax levy by approximately $4.5 million based upon the present assessed valuation before the limit is reached. However, the City may not adopt a tax rate that exceeds the effective tax rate calculated in accordance with the Texas Property Tax Code without holding two public hearings. The Property Tax Code subjects an increase in the proposed tax rate to a referendum election, if petitioned by registered voters, when the effective tax rate increase is more than eight percent (8%) of the previous year's maintenance and operations tax rate

NOTE D -- RECEIVABLES

Receivables for the City as of September 30, 2021 are as follows:

	General Fund	Nonmajor Funds	Governmental Totals
Franchise Fees	$ 34,162	$ -	$ 34,162
Hotel Occupancy Tax	16,645	-	16,645
Property Tax	87,792	16,882	104,674
Sales Tax	291,612	-	291,612
Customer Charges - Garbage	67,510	-	67,510
Other Receivables	373	-	373
Allowance for Uncollectible	(13,957)	(2,532)	(16,489)
Total Other Receivables	$ 484,137	$ 14,350	$ 498,487

	Water	Gas	Sewer	Proprietary Totals
Customer Charges	$ 92,573	32,851	$ 40,035	$ 165,459
Allowance for Uncollectible	(1,402)	(466)	(561)	(2,429)
Total Other Receivables	$ 91,171	$ 32,385	$ 39,474	$ 163,030

NOTE E -- RESTRICTED CASH AND INVESTMENTS

Restricted cash reported in the Proprietary Funds represents water and sewer acquisition fees and customer deposits.

NOTE F -- INTERFUND TRANSACTIONS

Interfund balances as of September 30, 2021 were as follows:

Due From	Due To	Amount	Purpose
Water	General	$ 12,984	*Short-term pooled cash loan*
Gas	Water	12,404	*Short-term pooled cash loan*
Sewer	General	11,318	*Short-term pooled cash loan*
Sewer	Water	20,750	*Short-term pooled cash loan*
Sewer	Gas	3,100	*Short-term pooled cash loan*
		$ 60,556	

Interfund transfers during the year ending September 30, 2021 were as follows:

Transfer From	Transfer to	Amount	Purpose
General Fund	Nonmajor Fund	$ 161,500	*Contributions toward operations*
General Fund	Nonmajor Fund	266,000	*Contributions toward operations*
General Fund	Water Fund	86,580	*Contributions toward operations*
Debt Service Fund	General Fund	5,598	*Contributions toward debt payment*
		$ 519,678	

NOTE G -- CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

Governmental Activities	Balance 10/1/2020	Additions	Disposals/ Transfers	Balance 9/30/2021
Land	$ 119,763	$ -	$ -	$ 119,763
Buildings and Improvements	2,826,886	38,684	-	2,865,570
Infrastructure	1,101,329	-	-	1,101,329
Vehicles and Equipment	728,801	55,258	(63,205)	720,854
	4,776,779	93,942	(63,205)	4,807,516
Less Accumulated Depreciation				
Buildings and Improvements	(654,015)	(59,831)	-	(713,846)
Infrastructure	(224,429)	(19,987)	-	(244,416)
Vehicles and Equipment	(580,800)	(52,160)	63,205	(569,755)
	(1,459,244)	(131,978)	63,205	(1,528,017)
Capital Assets, Net	$ 3,317,535	$ (38,036)	$ -	$ 3,279,499

Business-Type Activities	Balance 10/1/2020	Additions	Disposals/ Transfers	Balance 9/30/2021
Land	$ 811,571	$ -	$ -	$ 811,571
Buildings and Improvements	2,526	-	-	2,526
Infrastructure	9,746,983	-	-	9,746,983
Vehicles and Equipment	236,140	100,167	-	336,307
	10,797,220	100,167	-	10,897,387
Less Accumulated Depreciation				
Buildings and Improvements	(2,526)	-	-	(2,526)
Infrastructure	(5,090,348)	(140,043)	-	(5,230,391)
Vehicles and Equipment	(205,197)	(6,198)	-	(211,395)
	(5,298,071)	(146,241)	-	(5,444,312)
Capital Assets, Net	$ 5,499,149	$ (46,074)	$ -	$ 5,453,075

Land and Construction in Progress are not depreciated.

NOTE G -- CAPITAL ASSETS (Continued)

Depreciation expense was charged to the governmental functions as follows:

General Government	$ 19,866
Public Safety	42,216
Public Streets	33,075
Culture and Recreation	36,821
Total Depreciation Expense - Governmental Activities	$ 131,978

NOTE H -- LONG-TERM LIABILITIES

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021
Governmental Activities				
Certificates of Obligation	$ 1,085,000	$ -	$ (65,000)	$ 1,020,000
Bond Premium	58,868	-	(4,528)	54,340
Net Pension Liability	357,791	-	(46,926)	310,865
Accrued Compensated Absences	56,735	24,103	-	80,838
Total OPEB Liabilities				
SBDF	26,366	6,332	-	32,698
Total Governmental Activities	$ 1,584,760	$ 30,435	$ (116,454)	$ 1,498,741
Business-Type Activities				
Net Pension Liability	195,900	-	(16,224)	179,676
Accrued Compensated Absences	45,334	13,637	-	58,971
Total OPEB Liabilities				
SBDF	13,000	2,189	-	15,189
Total Business-Type Activities	$ 254,234	$ 15,826	$ (16,224)	$ 253,836

Historically, the General Fund has been used to pay for governmental activities accrued compensated absences. Because of time restrictions placed on compensated absences, the City estimates that accrued compensated absences are generally taken within one year from the fiscal year end. Thus, the liability is shown as a current liability on the Statement of Net Position.

Historically, the General Fund has been used to pay for governmental pension and other post-employment benefits (OPEB) including Supplemental Death Benefits Fund (SBDF).

NOTE I -- BONDS PAYABLE

Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013

The City issued $1,480,000 in revenue bonds in 2013 for the purposes of making permanent public improvements and for other public purposes. The debt service is funded by the sales tax collections of the City. The bonds mature serially through February 1, 2022 and bear interest at rates between 2.00% and 3.00%. These bonds were privately placed through a bank and contain no subjective acceleration clauses, events of default with finance-related consequences, or termination events with finance-related consequences.

Changes in Bonds Payable

	Balance 10/1/2020	Additions	Reductions	Balance 9/30/2021	Due Within One Year
Governmental Activities					
Bonds Payable:					
2013 Series	$ 1,085,000	$ -	$ (65,000)	$ 1,020,000	$ 60,000
Total Governmental Activities	$ 1,085,000	$ -	$ (65,000)	$ 1,020,000	$ 60,000

The annual requirements to amortize all long-term debt and obligations outstanding as of September 30, 2021, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total
Governmental Activities			
2022	$ 60,000	$ 46,150	$ 106,150
2023	70,000	43,675	113,675
2024	70,000	40,525	110,525
2025	75,000	37,263	112,263
2026	80,000	33,775	113,775
2027-2031	450,000	110,537	560,537
2032-2033	215,000	10,875	225,875
	$ 1,020,000	$ 322,800	$ 1,342,800

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS

Plan Description

The City participates as one of 895 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 annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com. All eligible employees of the City are required to participate in TMRS retirement system.

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 payments 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.

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

	2019	2020
Inactive employees or beneficiaries currently receiving benefits	3	4
Inactive employees entitled to but not yet receiving benefits	8	8
Active employees	24	24
	35	36

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is 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.

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Contributions (Continued)

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 10.24% and 10.55% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were $137,071 and matched the required contributions.

Actuarial Assumptions

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

Inflation	2.50% per year
Salary Increases	3.5%-10.5% including inflation
Discount Rate *	3.71%

* Based on the Fidelity "20-year Municipal GO AA Index"

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Actuarial Assumptions (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	7.75%
	100.00%	

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.

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.

NOTE J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

Changes in the Net Pension Liability

The below schedule presents the changes in the Net Pension Liability as of December 31, 2020:

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at December 31, 2019	$ 4,188,806	$ 3,635,115	$ 553,691
Changes for the year:			
Service Cost	148,671	-	148,671
Interest	286,385	-	286,385
Change of Benefit Terms	-	-	-
Difference Between Expected and Actual Experience	(27,677)	-	(27,677)
Changes of Assumptions	-	-	-
Contributions - Employer	-	131,565	(131,565)
Contributions - Employee	-	64,304	(64,304)
Net Investment Income	-	276,514	(276,514)
Benefit Payments, Including Refunds of Employee Contributions	(40,794)	(40,794)	-
Administrative Expense	-	(1,785)	1,785
Other Changes	-	(69)	69
Net Changes	366,585	429,735	(63,150)
Balance at December 31, 2020	$ 4,555,391	$ 4,064,850	$ 490,541

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 or 1-percentage point higher than the current rate:

	Discount Rate 5.75%	Discount Rate 6.75%	Discount Rate 7.75%
Net Pension Liability (Asset)	$ 1,200,105	$ 490,541	$ (92,212)

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 J -- EMPLOYEES' RETIREMENT SYSTEMS (Continued)

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

For the year ended September 30, 2021, the City recognized pension expense of $135,071. Also as of September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 84,443	$ -
Changes in Actuarial Assumptions	19,154	-
Differences Between Projected and Actual Investment Earnings	-	102,681
Contributions Subsequent to the Measurement Date	99,677	-
	$ 203,274	$ 102,681

Deferred outflows of resources in the amount of $99,677 is related to pensions resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

For the Calendar Year ended December 31,	
2021	$ (4,674)
2022	29,285
2023	(35,763)
2024	14,069
2025	(1,456)
Thereafter	(545)
	$ 916

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT – SUPPLEMENTAL DEATH BENEFIT

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

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB. Membership in the plan at December 31, 2020, the valuation and measurement date, consisted of:

	2020
Inactive employees or beneficiaries currently receiving benefits	2
Inactive employees entitled to but not yet receiving benefits	1
Active employees	24
	27

The SDBF required contribution rates, based on these assumptions, are as follows:

Actuarial Valuation Date	December 31, 2019
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Discount Rate	2.00%
Mortality Table	2019 Municipal Retirees of Texas Mortality Tables

These contribution rates are based on actuarial assumptions developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2014 to December 31, 2019. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%.

These assumptions are summarized below:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Discount Rate	2.00%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

The changes in the City's Total OPEB Liability (TOL), based on the above actuarial factors, during the year ended December 31, 2020, were as follows:

		Total OPEB Liability
Balance at December 31, 2019	$	39,367
Changes for the year:		
Service Cost		4,244
Interest		1,139
Change of Benefit Terms		-
Difference Between Expected and Actual Experience		(3,090)
Changes of Assumptions		6,356
Benefit Payments		(129)
Net Changes		8,520
Balance at December 31, 2020	$	47,887

There is no separate trust maintained to fund this TOL. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

The following presents the TOL of the City, calculated using the discount rate of 2.00% as well as what the City's TOL would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate:

	Discount Rate		
	1.00%	2.00%	3.00%
Total OPEB Liability (Asset)	$ 57,613	$ 47,887	$ 39,653

For the year ended September 30, 2021, the City recognized OPEB expense of $5,904. Also as of September 30, 2021, 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	$ -	$ 5,473
Changes in Actuarial Assumptions	10,225	-
Contributions Subsequent to the Measurement Date	236	-
	$ 10,461	$ 5,473

NOTE K -- OTHER POSTEMPLOYMENT BENEFIT - SBDF (Continued)

Deferred outflows of resources in the amount of $236 is related to OPEB benefits resulting from contributions subsequent to the measurement date, and will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

For the Calendar Year ended December 31,		
2021	$	793
2022		793
2023		793
2024		793
2025		722
Thereafter		858
	$	4,752

NOTE L -- COMMITMENTS AND CONTINGENCIES

Litigation

The City is the subject of various other claims and litigation that have arisen in the course of its operations. Management is of the opinion that the City's liability in these cases, if decided adversely to the City, will not have a material effect on the City's financial position.

Commitments

The City has no contracts related to construction projects as of September 30, 2021.

NOTE M -- RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City contracts with the Texas Municipal League (TML) to provide insurance coverage for property and casualty, and workers compensation. TML is a multi-employer group that provides for a combination of risk sharing among pool participants and stop loss coverage. Contributions are set annually by the provider. Liability by the City is generally limited to the contributed amounts for losses up to $1,000,000.

NOTE N – SUBSEQUENT EVENT

In April 2022, the city issued General Obligation Refunding Bonds, Series 2022 in the amount of $1 million to refund the Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2013. The Series 2022 final maturity date will be in February of 2033 with an interest rate of 2.79%.

LYTLE

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REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information includes financial information and disclosures that are required by the GASB but are not considered a part of the basic financial statements. Such information includes:

- Budgetary Comparison Schedule – General Fund
- Schedule of Changes – Net Pension Liability
- Schedule of Employer Pension Contributions
- Schedule of Changes – Total OPEB Liability – Supplemental Death Benefits Fund

CITY OF LYTLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE-
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Ad Valorem Taxes	$ 658,575	$ 659,575	$ 647,676	$ (11,899)
Sales Taxes	1,235,000	1,370,000	1,437,147	67,147
Charges for Services	460,000	642,064	520,339	(121,725)
Franchise Tax	175,000	175,000	166,095	(8,905)
Other Taxes	70,000	90,000	101,230	11,230
Licenses and Permits	34,000	34,000	48,447	14,447
Fines and Penalties	337,000	292,000	288,913	(3,087)
Interest Income	2,200	2,200	2,484	284
Miscellaneous	108,000	158,516	65,269	(93,247)
TOTAL REVENUES	3,079,775	3,423,355	3,277,600	(145,755)
EXPENDITURES				
Current:				
General Government	533,800	629,800	552,106	77,694
Public Streets	368,800	374,800	193,340	181,460
Public Safety	1,226,600	1,289,600	1,277,693	11,907
Environmental Protection	457,000	491,400	492,322	(922)
Culture and Recreation	276,500	314,000	37,733	276,267
TOTAL EXPENDITURES	2,862,700	3,099,600	2,553,194	546,406
Excess (Deficiency) of Revenues Over (Under) Expenditures	217,075	323,755	724,406	400,651
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	-	(508,482)	(508,482)
Transfers In	64,000	64,000	-	(64,000)
TOTAL OTHER FINANCING SOURCES (USES)	64,000	64,000	(508,482)	(572,482)
Net Change in Fund Balance	281,075	387,755	215,924	(171,831)
Beginning Fund Balance	1,417,813	1,417,813	1,417,813	-
Ending Fund Balance	$ 1,698,888	$ 1,805,568	$ 1,633,737	$ (171,831)

Budgetary Information – The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The City maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provision embodied in the annual appropriated budget approved by the City Council and as such is a good management control device. The legal level of budgetary control is at the department level. However, additional information about expenditures at the object level is also included. The City Manager is authorized to adjust the budget within departments so long as it does not change the department total.

The following are the funds which have legally adopted annual budgets: General Fund, Debt Service, Library Fund, and Animal Care Fund.

Budgetary preparation and control is exercised at the department level. Actual expenditures may not legally exceed appropriations at the fund level.

The City does not use encumbrances.

CITY OF LYTLE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES – NET PENSION LIABILITY AND RELATED RATIOS
LAST SIX PLAN (CALENDAR) YEARS

	Total Pension Liability					
	2015	2016	2017	2018	2019	2020
Service Cost	$ 108,092	$ 119,034	$ 124,615	$ 131,755	$ 137,802	$ 148,671
Interest (on the Total Pension Liability)	170,269	183,467	205,032	228,561	256,853	286,385
Changes of Benefit Terms	-	-	-	-	-	-
Difference between Expected and Actual Experience	31,648	25,709	39,721	90,300	41,699	(27,677)
Change of Assumptions	(19,789)	-	-	-	32,747	-
Benefit Payments, Including Refunds of Employee Contributions	(10,050)	(10,109)	(12,939)	(35,760)	(33,247)	(40,794)
Net Change in Total Pension Liability	280,170	318,101	356,429	414,856	435,854	366,585
Total Pension Liability - Beginning	2,383,396	2,663,566	2,981,667	3,338,096	3,752,952	4,188,806
Total Pension Liability - Ending	$ 2,663,566	$ 2,981,667	$ 3,338,096	$ 3,752,952	$ 4,188,806	$ 4,555,391

	Plan Fiduciary Net Position					
	2015	2016	2017	2018	2019	2020
			6,321,780			
Contributions - Employer	$ 88,152	$ 93,179	$ 103,355	$ 110,600	$ 118,778	$ 131,565
Contributions - Employee	49,357	51,709	54,512	57,485	60,975	64,304
Net Investment Income	3,073	149,509	345,865	(89,459)	468,301	276,514
Benefit Payments, Including Refunds of Employee Contributions	(10,050)	(10,109)	(12,939)	(35,760)	(33,247)	(40,794)
Administrative Expense	(1,871)	(1,687)	(1,791)	(1,726)	(2,641)	(1,785)
Other	(92)	(91)	(90)	(89)	(80)	(69)
Net Change	128,569	282,510	488,912	41,051	612,086	429,735
Plan Fiduciary Net Position - Beginning	2,081,989	2,210,556	2,493,066	2,981,978	3,023,029	3,635,115
Plan Fiduciary Net Position - Ending	$ 2,210,558	$ 2,493,066	$ 2,981,978	$ 3,023,029	$ 3,635,115	$ 4,064,850
Net Pension Liability (Asset) - Ending	$ 453,008	$ 488,601	$ 356,118	$ 729,923	$ 553,691	$ 490,541
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.99%	83.61%	89.33%	80.55%	86.78%	89.23%
Covered Payroll	$ 937,138	$ 1,034,178	$ 1,090,241	$ 1,149,690	$ 1,219,491	$ 1,286,079
Net Pension Liability as a Percentage of Covered Payroll	48.34%	47.25%	32.66%	63.49%	45.40%	38.14%

Information for this schedule is being accumulated prospectively until 10 years is presented.

CITY OF LYTLE
SCHEDULE OF CITY PENSION CONTRIBUTIONS
LAST SIX FISCAL YEARS

Fiscal Year Ending September 30,	Actuarially Determined Contribution (ADC)	Contributions in Relation to the ADC	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
2021	$ 135,071	$ 135,071	$ -	$ 1,290,449	10.47%
2020	118,778	118,778	-	1,232,445	9.64%
2019	116,312	116,312	-	1,197,489	9.71%
2018	110,458	110,458	-	1,152,177	9.59%
2017	100,513	100,513	-	1,072,915	9.37%
2016	95,715	95,715	-	1,064,855	8.99%

Information for this schedule is being accumulated prospectively until 10 years is presented.

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) 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	25 Years
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
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.

Other Information

Notes	There were no benefit changes during the year.

CITY OF LYTLE
SCHEDULE OF CHANGES – TOTAL OPEB LIABILITY AND RELATED RATIOS
SUPPLEMENTAL DEATH BENEFIT
LAST FOUR PLAN (CALENDAR) YEARS

	Total OPEB Liability 2017	2018	2019	2020
Service Cost	$ 2,617	$ 3,219	$ 2,561	$ 4,244
Interest (on the Total OPEB Liability)	987	1,079	1,293	1,139
Changes of Benefit Terms	-	-	-	-
Difference between Expected and Actual Experience	-	1,110	(4,714)	(3,090)
Change of Assumptions	2,674	(2,686)	6,706	6,356
Benefit Payments	(109)	(115)	(122)	(129)
Net Change in Total OPEB Liability	6,169	2,607	5,724	8,520
Total OPEB Liability - Beginning	24,867	31,036	33,643	39,367
Total OPEB Liability - Ending	$ 31,036	$ 33,643	$ 39,367	$ 47,887
Covered Payroll	$ 1,090,241	$ 1,149,690	$ 1,219,491	$ 1,286,079
Total OPEB Liability as a Percentage of Covered Payroll	2.85%	2.93%	3.23%	3.72%

Information for this schedule is being accumulated prospectively until 10 years is presented.

Notes to Schedule of Contributions

Valuation Date:

Actuarially determined contribution rates are calculated as of December 31 and become effective in January, thirteen (13) months later.

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.5% to 11.5% including Inflation
Discount Rate	2.00%
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

SUPPLEMENTARY INFORMATION

Supplementary information includes financial statements and schedules not required by the GASB, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

- Combining Statements – Nonmajor Governmental Funds
- Individual Nonmajor Fund Budgetary Comparison Schedules
    - Debt Service
    - Library Fund
    - Animal Care Fund

DEBT SERVICE FUNDS

Debt Service Fund – To account for property taxes levied specifically to service voter approved bond issues.

SPECIAL REVENUE FUNDS

Library Fund – To account for revenue committed to the Library to support culture and recreation for the City.

Animal Care Fund – To account for revenue committed to the Animal Shelter to support public safety.

CITY OF LYTLE
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

		Special Revenue Funds		Total
	Debt Service	Library Fund	Animal Care Fund	Nonmajor Funds
ASSETS				
Cash and Cash Equivalents	$ -	$ 72,338	$ 11,571	$ 83,909
Ad Valorem Taxes Receivable (Net)	14,350	-	-	14,350
TOTAL ASSETS	$ 14,350	$ 72,338	$ 11,571	$ 98,259
LIABILITIES, DEFERRED INFLOWS OF RESOURECED & FUND BALANCES				
Liabilities:				
Accrued Wages	$ -	$ 2,023	$ 7,797	$ 9,820
Total Liabilities	-	2,023	7,797	9,820
Deferred Inflows of Resources:				
Unavailable Property Tax Revenue	14,350	-	-	-
Total Deferred Inflows of Resources	14,350	-	-	-
Fund Balances:				
Committed For:			-	
Culture and Recreation	-	70,315	-	70,315
Public Safety	-	-	3,774	3,774
Total Fund Balances	-	70,315	3,774	74,089
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES & FUND BALANCES	$ 14,350	$ 72,338	$ 11,571	$ 98,259

CITY OF LYTLE
COMBINING STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDING SEPTEMBER 30, 2021

	Debt Service	Special Revenue Funds: Library Fund	Special Revenue Funds: Animal Care Fund	Total Nonmajor Funds
REVENUES				
Ad Valorem Taxes	$ 119,023	$ -	$ -	$ 119,023
Grants and Donations	-	13,137	-	13,137
Miscellaneous Revenue	-	2,355	6,320	8,675
Interest Income	-	199	-	199
TOTAL REVENUES	119,023	15,691	6,320	141,034
EXPENDITURES				
Current:				
Public Safety	-	-	271,894	271,894
Culture and Recreation	-	175,896	-	175,896
Debt Service:				
Principal	65,000	-	-	65,000
Interest and Fiscal Charges	48,425	-	-	48,425
TOTAL EXPENDITURES	113,425	175,896	271,894	561,215
Excess (Deficiency) of Revenues Over (Under) Expenditures	5,598	(160,205)	(265,574)	(420,181)
			6,320	
OTHER FINANCING SOURCES (USES)				
Transfer Out	(5,598)	-	-	(5,598)
Transfer In	-	161,500	266,000	427,500
TOTAL OTHER FINANCING SOURCES (USES)	(5,598)	161,500	266,000	421,902
Net Change in Fund Balance	-	1,295	426	1,721
Fund Balances at Beginning of Year	-	69,020	3,348	72,368
Fund Balances at End of Year	$ -	$ 70,315	$ 3,774	$ 74,089

CITY OF LYTLE
DEBT SERVICE FUND BUDGET COMPARISON
FOR THE YEAR ENDING SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Ad Valorem Taxes	$ 113,425	$ 113,425	$ 119,023	$ 5,598
TOTAL REVENUES	113,425	113,425	119,023	5,598
EXPENDITURES				
Debt Service:				
Principal	65,000	65,000	65,000	-
Interest and Fiscal Charges	48,425	48,425	48,425	-
TOTAL EXPENDITURES	113,425	113,425	113,425	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	-	5,598	5,598
OTHER FINANCING SOURCE				
Transfers Out	-	-	(5,598)	(5,598)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	(5,598)	(5,598)
Net Change in Fund Balance	-	-	-	-
Beginning Fund Balance	-	-	-	-
Ending Fund Balance	$ -	$ -	$ -	$ -

CITY OF LYTLE
LIBRARY FUND BUDGET COMPARISON
FOR THE YEAR ENDING SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Grants and Donations	12,800	12,800	$ 13,137	$ 337
Miscellaneous Revenue	7,000	7,000	2,355	(4,645)
Interest Income	200	200	199	(1)
TOTAL REVENUES	20,000	20,000	15,691	(4,309)
EXPENDITURES				
Culture and Recreation	213,900	213,900	175,896	38,004
TOTAL EXPENDITURES	213,900	213,900	175,896	38,004
Excess (Deficiency) of Revenues Over (Under) Expenditures	(193,900)	(193,900)	(160,205)	33,695
OTHER FINANCING SOURCE				
Transfers In	164,000	164,000	161,500	(2,500)
TOTAL OTHER FINANCING SOURCES (USES)	164,000	164,000	161,500	(2,500)
Net Change in Fund Balance	(29,900)	(29,900)	1,295	31,195
			324,295	
Beginning Fund Balance	69,020	69,020	69,020	-
Ending Fund Balance	$ 39,120	$ 39,120	$ 394,610	$ 31,195

CITY OF LYTLE
ANIMAL CONTROL FUND BUDGET COMPARISON
FOR THE YEAR ENDING SEPTEMBER 30, 2021

	Budget Amounts		Actual	Variance Favorable
	Original	Final	Amounts	(Unfavorable)
REVENUES				
Miscellaneous Revenue	12,000	12,000	$ 6,320	$ (5,680)
TOTAL REVENUES	12,000	12,000	6,320	(5,680)
EXPENDITURES				
Public Safety	293,000	313,000	271,894	41,106
TOTAL EXPENDITURES	293,000	313,000	271,894	41,106
Excess (Deficiency) of Revenues Over (Under) Expenditures	(281,000)	(301,000)	(265,574)	35,426
OTHER FINANCING SOURCE				
Transfers In	281,000	301,000	266,000	(35,000)
TOTAL OTHER FINANCING SOURCES (USES)	281,000	301,000	266,000	(35,000)
Net Change in Fund Balance	-	-	426	426
Beginning Fund Balance	3,348	3,348	3,348	-
Ending Fund Balance	$ 3,348	$ 3,348	$ 269,774	$ 426

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Financial Advisory Services
Provided By:

SAMCO Capital