NEW ISSUE | **OFFICIAL STATEMENT** | **Ratings:**
BOOK-ENTRY-ONLY | **September 6, 2022** | **S&P: "AA-"**

(See "RATINGS" herein.)

In the opinion of Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Certificates (as hereinafter defined), including interest in the form of original issue discount, will not be includible in gross income of the holders thereof for federal income tax purposes, assuming continuing compliance by the City (as hereinafter defined) with the requirements of the Internal Revenue Code of 1986, as amended (the "Code"). Interest on the Certificates is not subject to the alternative minimum tax imposed on individuals under the Code. For purposes of the 15% federal minimum tax that is imposed on "applicable corporations" (as defined in the 2022 Inflation Reduction Act (the "2022 Act") for taxable years beginning after December 31, 2022, interest on the Certificates will be taken into account in determining "adjusted financial statement income" (as defined in the 2022 Act). See "TAX MATTERS" herein.

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

$7,335,000
CITY OF PORT LAVACA, TEXAS
(A political subdivision of the State of Texas located in Calhoun County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated: September 1, 2022 (interest to accrue from the Delivery Date) **Due: February 15, as show on page ii**

The $7,335,000 Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") are being issued by the City of Port Lavaca, Texas (the "City") pursuant to the Certificate of Obligation Act of 1971, Subchapter C, Chapter 271, Texas Local Government Code, as amended, an ordinance (the "Ordinance") adopted by the City Council of the City on September 6, 2022, and the City's Home Rule Charter. (See "THE CERTIFICATES – Authority for Issuance".)

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, and are further payable from and secured by a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the City's waterworks and sewer system, as described in the Ordinance. (See "THE CERTIFICATES - Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION" herein.)

Interest on the Certificates will accrue from the Delivery Date (defined below), and will be payable on February 15 and August 15 of each year, commencing February 15, 2023, until 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 UMB Bank, N.A., Houston, Texas, as Paying Agent/Registrar, to Cede & Co., 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 contractual obligations to be incurred for (i) construction of streets and drainage, including utility relocation; (ii) water and sewer system improvements; (iii) construction of shoreline protection/remediation projects; and (iv) payment of professional services and costs of issuance related thereto.

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See "THE CERTIFICATES – Redemption Provisions" herein.)

SEE MATURITY SCHEDULE ON PAGE ii

The Certificates are offered for delivery when, as and if issued, and received by the underwriter 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 Bickerstaff Heath Delgado Acosta LLP, Austin, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas. It is expected the Certificates will be available for delivery through the services of DTC, New York, New York, on or about October 4, 2022 (the "Delivery Date").

SAMCO CAPITAL

MATURITY SCHEDULE

$7,335,000
CITY OF PORT LAVACA, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2022

BASE CUSIP NO [1]: 734659

$3,210,000 Serial Certificates

Maturity Date (2/15)	Principal Amount	Interest Rate	Initial Yield[2]	CUSIP No. Suffix [1]
2023	$265,000	5.00%	2.68%	PG4
2024	235,000	5.00	2.71	PH2
2025	245,000	5.00	2.75	PJ8
2026	255,000	5.00	2.80	PK5
2027	270,000	5.00	2.82	PL3
2028	285,000	5.00	2.87	PM1
2029	300,000	5.00	2.93	PN9
2030	315,000	5.00	3.00	PP4
2031	330,000	5.00	3.15	PQ2
2032	345,000	5.00	3.26[3]	PR0
2033	365,000	5.00	3.34[3]	PS8

$4,125,000 Term Certificates

$790,000 5.00% Term Certificates due February 15, 2035; Priced at $110.409 to Yield 3.55%[3]; CUSIP No. Suffix[1]: PU3

$860,000 4.00% Term Certificates due February 15, 2037; Priced at $100.278 to Yield 3.96%[3]; CUSIP No. Suffix[1]: PW9

$930,000 4.00% Term Certificates due February 15, 2039; Priced at $98.460 to Yield 4.13%; CUSIP No. Suffix[1]: PY5

$1,545,000 4.00% Term Certificates due February 15, 2042; Priced at $96.462 to Yield 4.27%; CUSIP No. Suffix[1]: QB4

(Interest to accrue from the Delivery Date)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 of or any integral multiple thereof, on February 15, 2031 or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See "THE CERTIFICATES – Redemption Provisions" herein).

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(1) 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. CUSIP numbers are included herein solely for the convenience of the owners of the Certificates. None of the City, the Financial Advisor, or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield represents the initial offering yield to the public which has been established by the Underwriter for offers to the public and which may be subsequently changed by the Underwriter and is the sole responsibility of the Underwriter.
(3) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2031, the first optional call date for such Certificates, at a redemption price of par plus accrued interest to the date of redemption.

USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

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

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

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

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

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

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

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

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

References to website addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such websites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in Rule 15c-12.

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The City	The City of Port Lavaca, Texas (the "City") is the county seat and commercial center of Calhoun County, Texas. The City is approximately 150 miles southeast of San Antonio and 130 miles southwest of Houston, along the Texas Gulf Coast, with an economy based on seafood and ship production. The City's 2020 census population was 11,557. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor, elected at-large, and six council members elected by place. (See "APPENDIX B – General Information Regarding the City of Port Lavaca and Calhoun County, Texas" herein.)
Authority for Issuance	The Certificates are authorized and issued pursuant to the City's Home Rule Charter, the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971, Subchapter C, Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City on September 6, 2022. (See "THE CERTIFICATES - Authority for Issuance" herein.)
Security for the Certificates	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, and are further payable from and secured by a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the City's waterworks and sewer system, as described in the Ordinance. (See "THE CERTIFICATES - Security and Source of Payment" and "AD VALOREM PROPERTY TAXATION" herein.)
Redemption	The City reserves the right, at its sole option, to redeem Certificates having stated maturities on or after February 15, 2032, in whole or in part thereof, in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption. The Term Certificates, hereinafter defined, are subject to mandatory sinking fund redemption as described herein. (See "THE CERTIFICATES –Redemption Provisions" herein.)
Tax Exemption	In the opinion of Bond Counsel, the interest on the Certificates is excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein. (See "TAX MATTERS" and "APPENDIX D – Form of Legal Opinion of Bond Counsel").
Qualified Tax-Exempt Obligations	The City has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
Use of Proceeds	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) construction of streets and drainage, including utility relocation; (ii) water and sewer system improvements; (iii) construction of shoreline protection/remediation projects; and (iv) payment of professional services and costs of issuance related thereto.
Ratings	The Certificates have been assigned an unenhanced rating of "AA-" by S&P Global Ratings ("S&P"). An explanation of the significance of such rating may be obtained from S&P. (See "RATINGS" herein.)
Payment Record	The City has not defaulted on the payment of its general obligation bonds since 1939 when all were refunded at par with a reduction in interest rate. The City has never defaulted on its revenue bonds.
Future Debt Issues	The City does not plan to issue additional debt in the next 12 months.
Delivery	When issued, anticipated on or about October 4, 2022.

CITY OF PORT LAVACA, TEXAS
202 North Virginia
Port Lavaca, Texas 77979

ELECTED OFFICIALS

CITY COUNCIL

Name	Term Expires (May)	Occupation
Jack Whitlow Mayor	2023	Administrative Professional
Jim Ward Mayor Pro Tem Councilmember, District 5	2025	Retired
Jerry Smith Councilmember, District 1	2023	High Voltage Electrician
Tim Dent Councilmember, District 2	2024	Business Manager
W. Allen Tippit, Jr. Councilmember, District 3	2023	Counselor
Rosie Padron Councilmember, District 4	2025	Daycare Director
Ken Barr Councilmember, District 6	2024	Retired

ADMINISTRATION

Name	Position	Time with the City	Years of Experience
Joanna P. Weaver, P.E.	Interim City Manager	14 years	2 years
Susan Lang	Finance Director	2 years	25 years
Mandy Grant	City Secretary	31 years	12 years

BOND COUNSEL AND ADVISORS

Bond Counsel
Bickerstaff Heath Delgado Acosta LLP
3711 S. MoPac Expressway, Building 1, Suite 300
Austin, Texas 78746

Certified Public Accountants
Harrison, Waldrop & Uherek, L.L.P.
101 S. Main Street, Suite 400
Victoria, Texas 77901

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

TABLE OF CONTENTS

OFFICIAL STATEMENT
relating to

$7,335,000
CITY OF PORT LAVACA, TEXAS
(Calhoun County, Texas)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTORY STATEMENT

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

There follows in this Official Statement a description of the City of Port Lavaca, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") and certain information about the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City and, during the offering period, from the Financial Advisor (hereinafter defined), upon payment of reasonable copying, handling, and delivery charges. Certain capitalized terms used in the Official Statement have the same meanings assigned to them in the ordinance authorizing the issuance of the Certificates (the "Ordinance") adopted by the City Council of the City, except as otherwise indicated herein.

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

THE CERTIFICATES

AUTHORITY FOR ISSUANCE

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly the Certificate of Obligation Act of 1971, Subchapter C, Chapter 271, Texas Local Government Code, as amended, the Ordinance, and the City's Home Rule Charter.

PURPOSE

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for (i) construction of streets and drainage, including utility relocation; (ii) water and sewer system improvements; (iii) construction of shoreline protection/remediation projects; and (iv) payment of professional services and costs of issuance related thereto.

GENERAL DESCRIPTION

The Certificates will be dated September 1, 2022 (the "Dated Date"), and will be issued in fully-registered form, in denominations of $5,000 or any integral multiple thereof within a maturity. Interest on the Certificates will accrue from the date of delivery of the Certificates to the initial purchaser thereof, and interest will be paid semiannually on February 15 and August 15 of each year, commencing February 15, 2023 until stated maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year composed of twelve 30-day months. The Certificates will mature on the dates and in the amounts as set forth on page ii.

Principal and interest will be paid by UMB Bank, N.A., Houston, Texas (the "Paying Agent/Registrar"). Subject to the requirements associated with the use of the Book-Entry-Only System (see "BOOK-ENTRY-ONLY SYSTEM" herein), interest will be paid by check dated as of the interest payment date and mailed first class, postage paid, on or before each interest payment date by the Paying Agent/Registrar to the registered owners (the "Owners") appearing on the registration books of the Paying Agent/Registrar on the Record Date (herein defined), or by such other method acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of such Owner. Principal will be paid to the Owners at maturity or redemption upon presentation and surrender of the Certificates to the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day on which banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day on which banking institutions are authorize to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. The City will initially use the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York, in regard to the issuance, payment and transfer of the Certificates. Such system will affect the timing and method of payment of the Certificates (see "BOOK-ENTRY-ONLY SYSTEM" herein).

LEGALITY

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

SECURITY AND SOURCE OF PAYMENT

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

Pledge of Surplus Revenues. . . Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are additionally secured by a limited pledge (not to exceed $1,000) of the surplus revenues from the operation of the City's waterworks and sewer system.

REDEMPTION PROVISIONS

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

Mandatory Sinking Fund Redemption. . . The Certificates stated to mature on February 15 in the years 2035, 2037, 2039, and 2042 (the "Term Certificates") are subject to mandatory sinking fund redemption in part, prior to their stated maturity at the redemption price of par plus accrued interest to the date of redemption on the dates and in the principal amounts as follows:

$790,000 Term Certificates due February 15, 2035

Mandatory Redemption Date (2/15)	Principal Amount
2034	$385,000
2035*	405,000

$860,000 Term Certificates due February 15, 2037

Mandatory Redemption Date (2/15)	Principal Amount
2036	$420,000
2037*	440,000

$930,000 Term Certificates due February 15, 2039

Mandatory Redemption Date (2/15)	Principal Amount
2038	$455,000
2039*	475,000

$1,545,000 Term Certificates due February 15, 2042

Mandatory Redemption Date (2/15)	Principal Amount
2040	$495,000
2041	515,000
2042*	535,000

*Stated Maturity

At least forty-five days prior to each mandatory redemption date specified above that the Term Certificates are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Certificate within the applicable maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Certificate not selected for prior redemption shall be paid on the date of their stated maturity.

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

Notice of Redemption for the Certificates . . . Not less than 30 days prior to a redemption date for the Certificates, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that the Certificates will not been redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN AND FUNDS TO PAY THE REDEMPTION PRICE OF SAID CERTIFICATES HAVING BEEN PROVIDED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DEFEASANCE OF CERTIFICATES

The Ordinance provides for the defeasance of the Certificates when payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times to ensure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for such Certificates, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the 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 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 have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than “AAA” or its equivalent, and (d) any other then authorized securities or obligations under applicable State law that may be used to defease obligations such as the Certificates. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

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, that the right to call the Certificates for redemption that have been defeased to stated maturity is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

AMENDMENTS

In the Ordinance, the City has the reserved right to 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 City 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) make any change in the maturity of any of the outstanding Certificates; (2) reduce the rate of interest borne by any of the outstanding Certificates; (3) reduce the amount of the principal or maturity value of, or redemption premium, if any, payable on any outstanding Certificates; (4) modify the terms of payment or of interest or redemption premium on outstanding Certificates or any of them or impose any condition with respect to such payment; or (5) change the minimum percentage amount of the Certificates necessary to be held by registered owners for consent to such amendment.

RECORD DATE

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

PAYMENT RECORD

The City has not defaulted on the payment of its general obligation bonds since 1939 when all were refunded at par with a reduction in interest rate. The City has never defaulted on its revenue bonds.

REGISTRATION, TRANSFER AND EXCHANGE

PAYING AGENT/REGISTRAR

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

FUTURE REGISTRATION

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

LIMITATION ON TRANSFER OF CERTIFICATES

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

MUTILATED, DESTROYED, LOST, OR STOLEN CERTIFICATES

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

SOURCES AND USES OF PROCEEDS

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

Sources:		
	Principal Amount of the Certificates	$7,335,000.00
	Net Original Issue Premium	318,564.90
	Total Sources of Funds	**$7,653,564.90**
Uses:		
	Deposit to Construction Fund	$7,500,000.00
	Costs of Issuance, Underwriter's Discount and excess proceeds	153,564.90
	Total Uses of Funds	**$7,653,564.90**

CERTIFICATEHOLDERS' REMEDIES

The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or if the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 30 days after notice of such default is given by any owner to the City, or the City declares bankruptcy, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions.

The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, 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 ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006) ("*Tooke*"), that a waiver of governmental immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's governmental immunity from a suit for money damages, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or covenants in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates.

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

In *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("*Wasson*"), the Texas Supreme Court (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 governmental and proprietary functions is not clear, the *Wasson* opinion held that the Proprietary-Governmental Dichotomy applies in a 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 the 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 at the time of inception of the contractual relationship. Notwithstanding the foregoing new 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 judgement, is justiciable against a municipality.

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.

BOOK-ENTRY-ONLY SYSTEM

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each maturity of the Certificates, each in the aggregate principal amount of such maturity, 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 issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated industries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

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

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

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

All 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 Paying Agent/Registrar, on the payment 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. Payments on the Certificates to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT

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

Information concerning DTC and DTC's book-entry system has been obtained from DTC and is not guaranteed as to accuracy or completeness by, and is not to be construed as a representation by the City, the Financial Advisor or the Underwriter.

AD VALOREM PROPERTY TAXATION

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

VALUATION OF TAXABLE PROPERTY

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

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

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS

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

LOCAL OPTION HOMESTEAD EXEMPTIONS

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable.

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED

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

PERSONAL PROPERTY

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

FREEPORT AND GOODS-IN-TRANSIT EXEMPTIONS

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

OTHER EXEMPT PROPERTY

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

TAX INCREMENT REINVESTMENT ZONES

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

TAX ABATEMENT AGREEMENTS

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements.

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

CHAPTER 380 AGREEMENTS

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code, as amended ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grants of public funds for economic development purposes.

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% physically damaged by a disaster and located within an area declared to be a disaster area by the governor of the State of Texas. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established by the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS

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

CITY AND TAXPAYER REMEDIES

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, $50.6 million for the 2021 tax year, and $52,978,200 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 City and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – 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. Taxpayers 65 years old or older, disabled veterans or an unmarried surviving spouse of a disabled veteran, are permitted by State law to pay taxes on homesteads in four installments with the first installment due before February 1 of each year and the final installment due before August 1. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes.

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

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

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

CITY APPLICATION OF PROPERTY TAX CODE

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

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

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

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

The City does not tax Freeport Property.

The City does tax Goods-in-Transit.

The City does not offer tax abatements.

The City does not participate in a TIRZ.

The City currently has one Chapter 380 agreement with Ho Enterprises, LLC (the "Developer") to reimburse the Developer for the cost of constructing certain infrastructure for a residential subdivision including streets, drainage, and water and wastewater utilities (the "Infrastructure"). The agreement runs for a period of either 50 years or until the Developer is reimbursed 100% for its costs of constructing the Infrastructure, whichever occurs first.

INVESTMENTS

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

LEGAL INVESTMENTS

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund or their respective successors; (8) interest-bearing banking deposits, other than those described by clause (7), if (A) the funds invested in the banking deposits are invested through (i) a broker with a main office or branch office in this State that the City selects from a list the governing body or designated investment committee of the City adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the City selects; (B) the broker or depository institution as described in clause (8)(A), above, arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by Paragraph (A); (ii) an entity described by Section 2257.041(d) of the Texas Government Code; or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit or share certificates (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund (or their respective successors), or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and amount provided by law for City deposits or, (ii) where the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (iii) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (iv) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (v) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3- 3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), and require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer (as defined by 5

C.F.R. Section 6801.102(f), as that regulation existed on September 1, 2003) or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 270 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940, and that complies with SEC Rule 2a-7; and (15) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations described in this paragraph or (ii) have a duration of less than one year and an investment portfolio limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described in the next succeeding paragraph.

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

INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the Public Funds Investment Act. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, the City's investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived." At least quarterly the City's investment officers must submit an investment report to the City Council detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS

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

PENSION PLANS

All qualified employees of the City are members of the Texas Municipal Retirement System. Covered employees of the City contribute 5% of gross covered salary. For additional information, refer to the notes to the Comprehensive Annual Financial Report for the fiscal year ended September 30, 2021, in Appendix C herein.

TAX MATTERS

TAX EXEMPTION

In the opinion of Bickerstaff Heath Delgado Acosta LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions, interest on the Certificates will not be includible in the gross income of the holders thereof for federal income tax purposes assuming continuing compliance by the City with the requirements of the Code. Interest on the Certificates is not subject to the alternative minimum tax imposed on individuals under the Code. For purposes of the 15% federal minimum tax that is imposed on “applicable corporations” (as defined in the 2022 Inflation Reduction Act (the “2022 Act”)) for taxable years beginning after December 31, 2022, interest on the Certificates will be taken into account in determining “adjusted financial statement income” (as defined in the 2022 Act).

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

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

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

COLLATERAL FEDERAL INCOME TAX CONSEQUENCES

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

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

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

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

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES

The initial public offering price of certain discount Certificates (the “Discount Certificates”) may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under “Tax Exemption.” Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year. However, such interest may be required to be taken into account in determining the alternative minimum taxable income of a corporation, for purposes of calculating a corporation’s alternative minimum tax imposed by Section 55 of the Code, and the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Certificate was held) is includable in gross income. Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial public offering price of certain Certificates (the “Premium Certificates”) may be greater than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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.

CHANGES IN FEDERAL AND STATE TAX LAW

From time to time, there are legislative proposals in the United States Congress and in the states that, if enacted, could alter or amend the Federal and State tax matters referred to above or adversely affect the market value or marketability of the Certificates. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. In addition, regulatory actions are from time to time announced or proposed and litigation is threatened or commenced which, if implemented or concluded in a particular manner, could adversely affect the market value or marketability of the Certificates.

Prospective purchasers of the Certificates should consult with their own tax advisors regarding any other federal income tax legislation, whether currently pending or proposed, regulatory initiatives or litigation. The opinions expressed by Bond Counsel are based upon existing legislation and regulations as interpreted by relevant judicial and regulatory authorities as of the date of issuance and delivery of the Certificates and Bond Counsel has expressed no opinion as of any date subsequent thereto or with respect to any pending legislation, regulatory initiatives or litigation.

QUALIFIED TAX-EXEMPT OBLIGATIONS

Section 265(b) of the Code provides, in pertinent part, that interest paid or incurred by 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)(3) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a "financial institution" allocable to tax-exempt obligations, other than " private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in Section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by Section 265(b) of the Code, Section 291 of the Code provides that the allowable deduction to a "bank," as defined in Section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The City has designated the Certificates as "qualified tax-exempt obligations" within the meaning of section 265(b)(3) of the Code. In furtherance of that designation, the City has covenanted to take such action that will assure, or to refrain from such action that will 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."**

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

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 278.051, as amended, Texas Local Government Code, each provide that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act (Chapter 2256, Texas Government Code) requires that the Certificates be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least $1 million of capital, and savings and loan associations. The Certificates are eligible to insure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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.

LEGAL MATTERS

The delivery of the Certificates is subject to the approval of the Attorney General of Texas to the effect that the Certificates are valid and legally binding obligations of the City and the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS". The form of Bond Counsel's opinion is attached hereto as Appendix D. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates are contingent upon the sale and 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.

Though it may represent the Financial Advisor or the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Except as hereinafter noted, Bond Counsel has not verified and has not passed upon, and assumes no responsibility for the accuracy, completeness or fairness of the information and statements contained in the Official Statement. In the performance of its duties, Bond Counsel has reviewed the information relating to the Certificates and the Ordinance contained under the captions: "THE CERTIFICATES" (exclusive of the subcaptions "Purpose", "Redemption Provisions – DTC Redemption Provisions", "Payment Record", as to which no opinion is expressed"), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS," "REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE," "LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS," "LEGAL MATTERS" (excluding the last sentence of the SECOND paragraph thereof, as to which no opinion is expressed), "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings, as to which no opinion is expressed), and "APPENDIX D – FORM OF LEGAL OPINION OF BOND COUNSEL" contained in the Official Statement and Bond Counsel is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriter by its counsel, McCall, Parkhurst & Horton, L.L.P., San Antonio, Texas, whose legal fee is contingent on the successful issuance 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.

RATINGS

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

CONTINUING DISCLOSURE OF INFORMATION

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

Annual Reports

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

The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in the Official Statement that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within 12 months after the end of each fiscal year ending in or after 2022. The City will provide the updated information to the MSRB through the EMMA information system in accordance with recent amendments to the Rule promulgated by the SEC. 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 updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix C of this Official Statement or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

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

Notice of Occurrence of Certain Events

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

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

Notice of Failure to Timely File

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

Availability of Information

All information and documentation filings required to be made by the Issuer will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings is provided, without charge to the general public, by the MSRB through its EMMA system at www.emma.msrb.org. Pursuant to subsection (d)(2)(iii) of Rule 15c2-12, the forgoing information, data and notices can be obtained from the Interim City Manager, Joanna P. Weaver, P.E., 202 N. Virginia, Port Lavaca, Texas 77979, Telephone: (361) 552-9793.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

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

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the initial offering prices to the public as shown on page ii of this Official Statement, less an underwriting discount of $53.443.57. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing the Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

FINANCIAL ADVISOR

RBC Capital Markets, LLC (the "Financial Advisor") is employed as Financial Advisor to the City. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Certificates are based on the amount of Certificates actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Certificates.

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

HURRICANE HARVEY AND RISK FROM WEATHER EVENTS

The City is located near the Texas Gulf Coast. Land and improvements located in this area are susceptible to high winds, heavy rain and flooding caused by rain events, hurricanes, tropical storms, and other tropical disturbances. If a weather-related event were to significantly damage all or part of the improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax revenues and/or necessitate an increase in the City's tax rate. Further, there can be no assurance that a casualty loss to taxable property within the City will be covered by insurance (or property owners will choose to carry flood or other casualty insurance), any insurance company will fulfill its obligations to provide insurance proceeds, or that insurance proceeds will be used to rebuild or repair damaged improvements within the City. Even if insurance proceeds are available and improvements are rebuilt, there could be a period of time in which assessed values within the City would be adversely affected.

More specifically to the point, on August 25, 2017, Hurricane Harvey, characterized as a Category 4 hurricane at its peak, made landfall on the Texas coast near Rockport, Texas, about forty miles south of the City. On August 27, 2017, Hurricane Harvey moved slowly east toward the greater Houston, Texas area, where it stalled for several days. Damaged property in the City, including residential and commercial properties, as well as numerous City-owned facilities and infrastructure. The estimate of the total damage to City-owned facilities and infrastructure was approximately $10 million. As a result of primarily wind damage, the City incurred disaster-related expenses, including debris removal, police, firefighter and emergency personnel overtime and emergency repairs to City facilities (collectively, "Disaster Related Expenses") in the approximate amount of $860,000.

The wind insurance policy in effect during the storm did not cover damage by wind-driven rain, therefore only $25,000 of the damage incurred to City-owned facilities and infrastructure was covered by insurance. The City also anticipated that up to $9 million of the damage to City-owned facilities and infrastructure, not covered by the City's wind insurance policy would not be eligible for reimbursement, together with the Disaster Related Expenses covered by advances and grants from the Federal Emergency Management Agency ("FEMA") and the State.

Shortly after the storm, the City established a Hurricane Harvey Recovery Fund to account for all expenses and reimbursements related to the storm. All repairs to City-owned facilities and infrastructure as well as all disaster related expenses are being funded by excess fund balances within the other funds of the City (General Fund, Water Utilities Fund and the Solid Waste Fund). As of September 30, 2021, the City has received approximately $7,700,000 in reimbursements from FEMA. Additional grants have been awarded for mitigation.

Since tax year 2018, taxable appraised values have increased annually and currently are over 18% higher than tax year 2017. (See Table 6 in Appendix A.)

The City does not expect the impact from Hurricane Harvey to adversely affect its ability to pay debt service on the Certificates.

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. 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, mitigation, and reopening of the State. Under executive orders as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

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

The Certificates are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's operations and maintenance expenses. Additionally, the City collects a sales and use tax on all taxable transactions within the City's boundaries. A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

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

FORWARD-LOOKING STATEMENTS

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

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

USE OF INFORMATION IN OFFICIAL STATEMENT

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

The Ordinance will approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Underwriter in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

CITY OF PORT LAVACA, TEXAS

/s/ Jack Whitlow
Mayor
City of Port Lavaca, Texas

ATTEST:

/s/ Mandy Grant
City Secretary
City of Port Lavaca, Texas

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APPENDIX A

The information in Appendix A contains financial and statistical information with respect to the City of Port Lavaca, Texas

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FINANCIAL INFORMATION REGARDING THE
CITY OF PORT LAVACA, TEXAS

Table 1- Valuations, Exemptions and Tax Supported Debt

2022/23 Market Valuation Established by Calhoun County Appraisal District (excluding totally exempt property)		$ 723,132,151
Less Exemptions/Reductions at 100% Market Value		
Homeowner 10% Cap	$ 6,689,177	
Homestead Exemption	29,603,941	
Over 65/Disabled	8,963,064	
Disabled/Deceased Veterans	5,870,876	
Productivity Loss	13,899,282	
Frozen Value Loss	22,234,264	
Other	159,462	87,420,066
2022/23 Net Taxable Assessed Valuation		$ 635,712,085

City Debt Payable from Ad Valorem Taxes:	
Outstanding General Obligation Debt (as of September 1, 2022)	$ 2,505,000
The Certificates	7,335,000
Less: Self-Supporting Debt	3,025,000
Total	$ 6,815,000
Ratio City Funded Debt/2022/23 Net Taxable Assessed Valuation	1.07%
Interest and Sinking Fund Balance as of September 30, 2021	$ 176,757

Estimated Population	11,557
Per Capita Taxable Assessed Valuation	$ 55,007
Per Capita Debt Payable from Ad Valorem Taxes	$ 590

Table 2 - Estimated Overlapping Debt Statement

Taxing Body	Amount	As of	% Overlap	$ Overlap
Calhoun County	$ 2,185,000	07/31/2022	15.36%	$ 335,616
Calhoun County ISD	15,210,000	07/31/2022	15.38%	2,339,298
Total Net Overlapping Debt				$ 2,674,914
City of Port Lavaca (including the Certificates)	**$ 6,815,000** (1)	**09/01/22**	**100.00%**	**$ 6,815,000**
Total Direct and Overlapping Debt				$ 9,489,914

Ratio Direct and Overlapping Debt to 2022/23 Net Taxable Assessed Valuation	1.49%
Ratio Direct and Overlapping Debt to 2022/23 Total Assessed Valuation	1.31%
Per Capita Direct and Overlapping Debt	$ 821

Source: *Texas Municipal Reports.*

(1) Includes the Certificate; excludes self-supporting debt.

Table 3 - Valuation and Tax Supported Debt History

Fiscal Year Ended 9/30	Taxable Assessed Valuation	Taxable Debt Outstanding at Year End	Ratio of Bonded Debt to TAV
2018	$ 528,608,956	$ 7,375,000	1.40%
2019	541,758,877	6,245,000	1.15%
2020	568,240,251	5,025,000	0.88%
2021	586,698,394	3,780,000	0.64%
2022	623,174,598	9,840,000 (1)	1.58%

Source: City Records
(1) Includes the Certificates.

Table 4 - Tax Rate, Levy and Collection History

Tax Year	Tax Rate	M&O Fund	I&S Fund	Total Tax Levy	% Current Collections	% Total Collections	FYE Ended
2016	$ 0.79000	$ 0.71540	$ 0.07460	$ 4,159,110	99.74%	100.00%	09/30/2017
2017	0.79440	0.72000	0.07440	4,199,270	100.44%	100.49%	09/30/2018
2018	0.79440	0.72130	0.07310	4,303,733	99.51%	100.17%	09/30/2019
2019	0.79440	0.72680	0.06760	4,514,101	98.53%	100.08%	09/30/2020
2020	0.79440	0.72840	0.06600	4,660,732	99.70%	99.79%	09/30/2021
2021	0.79440	0.73080	0.06360	4,950,499	95.63%(1)	96.13%(1)	09/30/2022

Source: City Records
(1) As of June 30, 2022. Anticipated and unaudited.

Table 5 - Ten Largest Taxpayers(1)

Name of Taxpayer	Nature of Property	2021/22 Taxable Valuation	% of Total
Rexco, Inc.	Construction	$ 10,070,770	1.91%
AEP Texas Central Company	Electric Utility	7,954,830	1.50%
Momentum Rental & Sales, Inc.	Heavy Equipment Supplier	7,325,000	1.39%
HIEPVTTX Hospitality LLC	Hotel	7,228,840	1.37%
Wal-Mart Real Estate	Retail Property	7,044,497	1.33%
Calhoun County RP Ltd	Assisted Living Facility	6,832,280	1.29%
Maxim Crane Works LP	Crane Rental	6,241,140	1.18%
Lakeside CRV Recreations	RV Resort	5,855,870	1.11%
Helena Agri-Enterprises LLC	Agricultural Chemicals	5,465,360	1.03%
Oceanview Hospitality LLC	Hotel	5,163,950	0.98%
		$ 69,182,537	13.09%

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

Table 6 - Taxable Assessed Valuation by Category [(1)]

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2022		2021		2020	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 372,281,677	53.12%	$ 351,813,292	53.62%	$ 334,279,054	54.02%
Real Residential, Multi-Family	26,840,850	3.83%	25,864,495	3.94%	24,388,875	3.94%
Real, Vacant Lots/Tracts	21,958,886	3.13%	19,073,904	2.91%	18,139,864	2.93%
Real, Acreage (Land Only)	13,824,260	1.97%	11,111,430	1.69%	11,035,050	1.78%
Real, Farm and Ranch Improvements	1,623,661	0.23%	3,382,201	0.52%	2,933,601	0.47%
Real, Commercial	157,914,138	22.53%	144,069,158	21.96%	126,594,130	20.46%
Real, Minerals and Oil	-	0.00%	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	13,560,460	1.93%	12,570,800	1.92%	12,571,250	2.03%
Tangible Personal, Commercial	74,012,480	10.56%	69,145,600	10.54%	68,991,320	11.15%
Tangible Personal, Industrial	4,242,040	0.61%	3,074,160	0.47%	2,583,650	0.42%
Tangible Personal, Mobile Homes	2,612,730	0.37%	2,441,660	0.37%	2,462,740	0.40%
Real Property, Inventory	755,390	0.11%	755,390	0.12%	3,136,362	0.51%
Special Inventory	11,253,770	1.61%	12,763,020	1.95%	11,711,810	1.89%
Total Appraised Value Before Exemptions	$ 700,880,342	100.00%	$ 656,065,110	100.00%	$ 618,827,706	100.00%
Less: Total Exemptions/ Reductions	77,705,744		69,366,716		50,587,455	
Taxable Assessed Value	$ 623,174,598		$ 586,698,394		$ 568,240,251	

	Taxable Appraised Value for Year Ended September 30,			
	2019		2018	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single Family	$ 307,686,458	52.99%	$ 305,368,231	53.64%
Real Residential, Multi-Family	23,159,110	3.99%	23,027,119	4.05%
Real, Vacant Lots/Tracts	19,192,878	3.31%	15,102,284	2.65%
Real, Acreage (Land Only)	9,342,230	1.61%	10,006,970	1.76%
Real, Farm and Ranch Improvements	2,742,091	0.47%	2,723,610	0.48%
Real, Commercial	114,783,431	19.77%	115,984,427	20.37%
Real, Minerals and Oil	-	0.00%	-	0.00%
Real, Tangible Personal, Utilities	12,320,870	2.12%	12,222,500	2.15%
Tangible Personal, Commercial	71,795,940	12.36%	65,443,320	11.50%
Tangible Personal, Industrial	1,381,960	0.24%	1,779,280	0.31%
Tangible Personal, Mobile Homes	2,321,870	0.40%	2,294,340	0.40%
Real Property, Inventory	3,227,570	0.56%	2,599,400	0.46%
Special Inventory	12,692,570	2.19%	12,713,420	2.23%
Total Appraised Value Before Exemptions	$ 580,646,978	100.00%	$ 569,264,901	100.00%
Less: Total Exemptions/ Reductions	38,888,101		40,655,945	
Taxable Assessed Value	$ 541,758,877		$ 528,608,956	

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

Table 7 - Other Obligations

The City entered into the a loan agreeemnt with the Texas Comptroller of Public Accounts in order to finance the City's projects for various energy savings measures for City buildings and facilities. Annual debt service requirements to maturity for the City's loan payable are as follows

Year Ended September 30	Principal	Interest	Total
2022	$ 19,729	$ 3,356	$ 23,085
2023	20,127	2,959	23,086
2024	20,533	2,553	23,086
2025	20,946	2,139	23,085
2026	21,368	1,717	23,085
2027-2030	72,467	2,561	75,028
Totals	$ 175,170	$ 15,285	$ 190,455

Source: City's Audited Financial Statement for the Fiscal Year Ended September 30, 2021.

Table 8 - Tax Supported Debt Service Requirements

Fiscal Year Ended 9/30	Outstanding Tax Supported Debt Service Requirements	The Certificates Principal	The Certificates Interest	The Certificates Total	Less: Total Self-Supported Debt Service	Total Tax Supported Debt Service Requirements
2022	$ 1,379,691				$ 1,048,729	$ 330,962
2023	682,379	$ 265,000	$ 281,396	$ 546,396	807,913	420,862
2024	419,193	235,000	314,275	549,275	808,584	159,884
2025	259,835	245,000	302,275	547,275	259,835	547,275
2026	261,238	255,000	289,775	544,775	261,238	544,775
2027	261,746	270,000	276,650	546,650	261,746	546,650
2028	256,931	285,000	262,775	547,775	256,931	547,775
2029	129,744	300,000	248,150	548,150	129,744	548,150
2030	130,175	315,000	232,775	547,775	130,175	547,775
2031	130,394	330,000	216,650	546,650	130,394	546,650
2032	130,850	345,000	199,775	544,775	130,850	544,775
2033	131,563	365,000	182,025	547,025	131,563	547,025
2034	127,188	385,000	163,275	548,275	127,188	548,275
2035	-	405,000	143,525	548,525	-	548,525
2036	-	420,000	125,000	545,000	-	545,000
2037	-	440,000	107,800	547,800	-	547,800
2038	-	455,000	89,900	544,900	-	544,900
2039	-	475,000	71,300	546,300	-	546,300
2040	-	495,000	51,900	546,900	-	546,900
2041	-	515,000	31,700	546,700	-	546,700
2042	-	535,000	10,700	545,700	-	545,700
TOTAL	**$ 6,334,468**	**$ 7,335,000**	**$ 3,601,621**	**$ 10,936,621**	**$ 4,484,888**	**$ 10,752,658**

Table 9 - Tax Adequacy

Interest and Sinking Fund Balance (as of 9-30-21):		$ 176,757
Plus:	Investment Earnings	$ 1,500
	Interest and Sinking Fund Tax Levy of $0.0636 @ 97% Collections	$ 384,449
		$ 562,706
Less:	Estimated Tax Supported Debt Service Requirements, Fiscal Year End 9/30/22	$ 330,962
Anticipated Interest and Sinking Fund Balance for 9-30-22:		$ 231,744

Table 10 - Future Bond Issues: The City does not anticipate issuing debt in the next 12 months.

Authorized but Unissued General Obligation Bonds: None

Table 11 - General Fund Revenues and Expenditures

	Fiscal Years As of September 30				
	2021	**2020**	**2019**	**2018**	**2017**
Revenues:					
Taxes	$ 8,502,663	$ 8,010,026	$ 8,131,607	$ 7,651,572	$ 7,121,212
Fine and Forfeitures	251,960	220,122	292,282	315,170	332,554
Intergovernmental	975,127	367,212	269,931	268,461	301,953
Licenses and Permits	161,772	168,367	120,897	154,056	231,321
Grants and Contributions	-	-	-	-	-
Investment	7,022	116,706	295,613	172,461	89,097
Rental	59,655	30,345	51,785	10,800	76,020
Charges for Services	10,127	14,708	12,897	4,079	2,176
Miscellaneous	68,889	175,052	81,593	53,707	164,343
Total Revenues	**$ 10,037,215**	**$ 9,102,538**	**$ 9,256,605**	**$ 8,630,306**	**$ 8,318,676**
Expenditures:					
Current					
General Government	$ 2,005,744	$ 1,755,370	$ 1,544,871	$ 1,722,158	$ 1,962,288
Public Safety	3,642,168	3,548,418	3,279,096	3,356,706	3,041,975
Public Works	1,152,387	1,129,316	1,240,009	1,217,296	1,253,933
Streets	-	-	-	-	-
Parks and Recreation	743,956	557,569	624,107	642,491	614,018
Non Departmental	-	-	-	-	-
Capital Outlay	638,381	1,122,492	575,308	-	254,362
Debt Service					
Principal Retirement	12,655	-	-	-	-
Interest and Fiscal Changes	4,659	-	-	-	-
Total Expenditures	**$ 8,199,950**	**$ 8,113,165**	**$ 7,263,391**	**$ 6,938,651**	**$ 7,126,576**
Excess/(Deficiency) of Revenues Over Expenditures	$ 1,837,265	$ 989,373	$ 1,993,214	$ 1,691,655	$ 1,192,100
Transfers In	561,810	472,994	1,385,717	448,639	453,500
Transfers (out)	(3,205,038)	(1,798,000)	(661,050)	(1,139,513)	(44,661)
Capital Lease Proceeds	-	-	-	-	-
Sale of Capital Assets	-	-	-	-	-
Debt Issued	-	187,825	-	-	-
Beginning Fund Balance	13,674,132	13,821,940	11,104,059	10,103,278	8,502,339
Increase/(Decrease) in Fund Balance	-	-	-	-	-
Ending Fund Balance - September 30	**$ 12,868,169**	**$ 13,674,132**	**$ 13,821,940**	**$ 11,104,059**	**$ 10,103,278**

Source: City's Audited Financial Statements for the Fiscal Years Ended September 30, 2017-2021.

Note: The City's anticipated General Fund balance for the Fiscal Year Ending on September 30, 2022 is $10,369,919. The reduced amount in comparison to the beginning fund balance is attributable to a planned draw-down to pay for capital improvements.

Table 12 - Current Investments (unaudited, as of June 30, 2022)

Investment Description	Total Invested	Percent
Texas LOGIC	$ 13,721,310	68.42%
Demand Deposits	6,334,275	31.58%
Total	**$ 20,055,585**	**100.00%**

Source: City Staff.

Table 13 - City Sales Tax History

The City has adopted the provision of Chapter 320, Texas Tax Code, as amended, which grants the City the power to impose and levy a 1% sales and use tax. The City may not pledge the proceeds from the sales tax as security for the Certificates.

The Voters of the City approved an additional one-half cent sales and use tax for reduction of ad valorem taxes.

Fiscal Year Ended	Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent Ad Valorem Tax Rate
2017	$ 2,693,583	64.14%	0.510
2018	3,138,929	72.94%	0.579
2019	3,562,168	78.91%	0.627
2020	3,287,441	70.53%	0.560
2021	3,566,918	72.05%	0.572

Source: State Comptroller's Office of the State of Texas and City.

APPENDIX B

The information contained in Appendix B consists of general information regarding the City of Port Lavaca, Texas and Calhoun County, Texas

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GENERAL INFORMATION REGARDING THE CITY OF PORT LAVACA AND CALHOUN COUNTY, TEXAS

The City of Port Lavaca

The City of Port Lavaca encompasses 14.1 square miles and is located at the end of U.S. Highway 87 in Calhoun County, Texas. The City is the County seat and commercial center for this South Texas Gulf Coast County. The City is centrally located between several large manufacturing facilities, and fishing of shrimp and oysters is a smaller part of the local economy. The City owns a port and multiple harbors and leases space to commercial users.

Recreation and Culture

The City of Port Lavaca is located on the Texas Gulf Coast and offers a wide variety of water recreational activities along its 500 miles of shoreline, including fishing and sailing. Near the City are five wildlife preserves providing protection for birds as well as other types of wildlife. Other facilities include jogging, walking and nature trails, bird watching, picnic areas, playgrounds, baseball parks, a skate park, fairgrounds, rodeo arena, fishing ponds, public parks, swimming pool, multiple splash pools, private golf course, tennis courts and camping. Additionally, there is a library, theatre and museum located in the City. Service clubs in the area include the Girl Scouts, American Women's Association, Pilot Club, Junior Service League, Beta Sigma Phi, 4-H Club, FFA Club, Knights of Columbus, Kiwanis Club, LULAC, GI Forum and Chamber of Commerce. Various denominations are served by area churches. There are a number of hotels/motels located in the area.

Calhoun County

Calhoun County organized in 1846, is a South Texas Gulf Coast County and has an area of approximately 540 square miles and is located near the center point of the 375-mile Texas Coast. The natural seaport on Matagorda Bay serves as an attraction for commerce, industry and recreation. Water is a major feature of the region, covering more than half the surface area of Calhoun County. The Gulf of Mexico is flanked by the broad, isolated beaches of Matagorda Island. Behind the barrier islands are 10 bays and 500 miles of shoreline. The City of Port Lavaca, the County seat, is the largest city and principal commercial center for the County. The County is located at the end of U.S. Highway 87 and is located 25 miles east of Victoria, 90 miles northeast of Corpus Christi, 125 miles southwest of Houston, 150 miles southeast of San Antonio, and 145 miles southeast of Austin.

Education

The boundaries of the County are coterminous with the Calhoun County Independent School District and include one high school (9-12), one middle school (6-8), one complex (EE-5), one complex (PK-5), one elementary school (PK-5), one elementary school (PK-6), one school (PK-8), one alternative instruction unit (9-12), and two alternative education instruction schools.

Higher education facilities, located less than 30 minutes away in Victoria, include Victoria College and the University of Houston-Victoria. The University of Houston-Victoria offers upper-division studies for junior, senior and graduate study with bachelors and master's degree programs in arts and sciences, business administration and education. Victoria College, the area's community college, offers more than 50 different fields of study in associate and certification programs. Victoria College offers a wide range of technical and vocational programs including computer information system and programming, drafting technology, electronics/instrumentation, process technology, welding, network administration, and professional office technology. Within a 150-mile radius, the County has the resources of more than 30 colleges and universities, including premier research centers at the University of Texas, the Texas A&M System, Rice University and the University of Houston.

Transportation

The County is serviced by U.S. Highways 59 and 87 and Texas Highway 35, as well as numerous County and farm-to-market roads.

Port of Port Lavaca-Point Comfort deepwater port and the barge-depth harbors of Calhoun County offer waterborne commerce and access to international markets.

The area is served by three national railroads and two port-area short line railroads. The primary carrier is the Union Pacific Railroad Company, with the Burlington Northern/Santa Fe (BNSF) and Southern Pacific Railroad being the secondary national railroads. The Point Comfort & Northern Railroad and the Formosa Railroad are the short line railroads connecting the Union Pacific main line with the Port of Port Lavaca-Point Comfort, Alcoa, Formosa Plastics and available industrial development sites along its 14-mile length. Helena Chemicals, a fertilizer manufacturer, has a long-term lease in City-owned harbor property, and has invested over $4 million to improve these facilities.

Various commercial carriers and moving companies provide motor freight service to the County. Bus service is provided by Valley Transit and Kerrville Bus Lines. Both companies also carry freight and connect to the Greyhound Bus Lines network.

Calhoun County Airport has a 5,000 foot lighted asphalt runway accommodating private jet operations, located approximately three miles northwest of the City of Port Lavaca. The Victoria Regional Airport located 27 miles from Port Lavaca and 35 miles from Point Comfort and Seadrift, offers commercial airline service to Houston-Bush Intercontinental Airport. Continental Airlines offers several flights a day with connections to Houston-Bush Intercontinental Airport. Additional airline service is available at major international airports in region, including Corpus Christi International (92 miles), Houston Hobby (135 Miles), Houston-Bush Intercontinental (150 miles), San Antonio International Airport (145 miles), and Austin-Bergstrom International Airport (155 miles).

Labor Force Statistics

State of Texas

	2022[(a)]	2021	2020	2019	2018
Labor Force	14,585,252	14,220,446	13,870,874	13,871,780	13,684,009
Employed	13,945,797	13,413,036	12,808,616	13,381,020	13,149,672
Unemployed	639,455	807,410	1,062,258	490,760	534,337
Unemployed Rate	4.4%	5.7%	7.7%	3.5%	3.9%

Calhoun County

	2022[(a)]	2021	2020	2019	2018
Labor Force	12,085	12,224	11,845	11,983	11,103
Employed	11,571	11,625	11,155	11,598	10,644
Unemployed	514	599	690	385	459
Unemployed Rate	4.3%	4.9%	5.8%	3.2%	4.1%

(a) As of June 2022.

APPENDIX C

The information contained in Appendix C consist of excerpts from the City of Port Lavaca, Texas Annual Financial Report for Fiscal Year Ended September 30, 2021

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CITY OF PORT LAVACA, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2021

CITY OF PORT LAVACA, TEXAS

ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the year ended September 30, 2021

Susan Lang
Director of Finance

JoAnna P. Weaver
Interim City Manager

Issued By:
Finance Department

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INTRODUCTORY SECTION

CITY OF
PORT LAVACA
202 N. Virginia, Port Lavaca, Texas 77979
Main Number: 361-552-9793
www.portlavaca.org
Main Facsimile: 361-552-6062

City Manager
Ext. 222

City Secretary
Ext. 224

Code Enforcement
Ext. 229

Finance
Ext. 234

Inspections/Permits
Ext. 229

Municipal Court
Ext. 226

Personnel
Ext. 224

Utility Billing
Ext. 238

Animal Control
361-552-5726

Bauer Center
361-552-1234

Fire Station
361-552-3241

Public Works Director
361-552-3347

Parks & Recreation
361-552-1234

Police
361-552-3788

Streets
361-552-3347

Utilities Operation
361-552-3347

May 10, 2022

To the Honorable Mayor, City Council, and the Citizens of Port Lavaca:

The Annual Comprehensive Financial Report of the City of Port Lavaca, Texas, hereinafter referred to as the "City", for the fiscal year ended September 30, 2021, is hereby submitted. It is published to provide to the City Council, to representatives of financial institutions, and to our citizens and other interested persons, detailed information concerning the financial condition of the City government. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the enclosed data to be accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain the maximum understanding of the City's financial activities have been included.

Generally accepted accounting principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of management's discussion and analysis (MD&A). This letter of transmittal is designed to complement and should be read in conjunction with the MD&A. The City's MD&A can be found immediately following the independent auditor's report.

City Overview and Governance

The City has a home-rule Council-Manager form of government. The elected body is made up of a Mayor, who is elected at large, and six Council Members elected by district. The Mayor is elected for a two-year term while Council Members are all elected for staggered three-year terms. The City Manager is appointed by the City Council and is responsible to implement the policies of the City Council and oversee all day-to-day operations of the City.

The City Council appoints many residents, who volunteer their expertise, experience, and time to serve on various boards and commissions. These standing boards and commissions serve the City in an advisory capacity.

A full range of municipal services are provided by the City including public safety (police, fire protection, and animal control); public utilities (water and wastewater services); public improvements; repair and maintenance of infrastructure; economic and community development including planning and permitting; and general administrative services. This report includes all funds of the City government.

The City also manages several quasi-governmental operations including a campground at Lighthouse Beach and the Nautical Landings Marina's commercial office spaces. The City, with the assistance of the Port Lavaca Chamber of Commerce, operates the Bauer Community Center that is leased throughout the year for public activities and business meetings. Finally, the City jointly runs the Lighthouse Beach Swimming pool with the local YMCA. The City maintains the grounds and pays for pool equipment and maintenance supplies. The YMCA facilitates the operations of the facility, hiring, training and managing the pool staff.

The City supplies water for its citizens by purchasing treated water from the Guadalupe-Blanco River Authority (GBRA) under a long- term contract ending in the year 2035. Collection and disposal of solid waste has been privatized through an awarded contract to Republic Services, Inc.

Financial Management

The City of Port Lavaca each year has pushed to become more proactive in the managing and most importantly, planning for its financial future. The City annually reviews its Financial Management and Budgetary Policy document and makes changes where necessary to ensure long-term financial stability. In addition, the City reviews "best practice" recommendations from the Government Finance Officers Association. These policies are the foundation of each annual budget.

Long Term Financial Planning

The City's Financial Management and Budgetary Policy document speaks to long term goals to not only improve bond ratings, but to maintain a healthy financial position. The City prepares a five-year capital plan that is reviewed and adopted annually. This year, the budget and plan will be completed by all departments documenting the procurement of capital items planned over a five-year period. Methodologies are reviewed for revenue projections and proper level of reserves each year.

The City of Port Lavaca always looks for a more economical way to provide services to our citizens. The City keeps in mind that the economy is still volatile and follows conservative budgeting practices. The City has made full recovery from Hurricane Harvey, and feels we are well-positioned, due to extensive and ongoing mitigation projects, to recover quickly from the next natural disaster.

The City, through policy, has procedures in place to react quickly when signs of sales tax or other major revenue sources are anticipated to deviate materially from the budget. These policy changes will help the City proactively amend the budget at the first sign of change to determine what expenditures in the budget could be delayed in efforts to maintain core services. The conservative fiscal management practiced by Port Lavaca has enabled City Officials to initiate several emergency measures while maintaining a significant portion of emergency reserve funds.

Economic Condition and Outlook

The City of Port Lavaca is currently home to about 11,338 residents and is located within Calhoun County, Texas. The City is a central hub between Houston, Corpus Christi and San Antonio. As the county seat of Calhoun County, the City's economic base is a combination of manufacturing, oil and gas, agribusiness, seafood production, construction, transportation, and the visitor leisure industry. Several major facilities are in the City of Port Lavaca, including operations to transport liquid fertilizer and seafood processing and distribution facilities. Port Lavaca maintains a rail system origination from its Harbor of Refuge. Highway 87 parallels the rail line in a north-south direction and Highway 35 connecting Houston and Corpus Christi also runs through the City.

Calhoun County, a natural seaport on Lavaca Bay, serves as an attraction for commerce, industry and recreation. The Calhoun County area is a major industrial hub on the Texas Gulf Coast, serving as a well-developed regional network of interconnecting transportation systems. Industrial sites are served by the Gulf Intracoastal Waterway and branch channels including the Victoria Barge Canal and the Port in Point Comfort. Calhoun County is in the middle of the world's largest concentration of petrochemical plants - an area which stretches along the Texas Coast from Corpus Christi to Port Arthur. The strong County industry has helped Port Lavaca maintain a stable revenue growth especially during times of economic uncertainty.

Sales tax revenues increased from $3,287,441 in F/Y 2019-20 to $3,566,918 in F/Y 2020-21 (8.5% increase). While cognizant of the delicate global economy, the City remains conservative with future growth projections. Property tax revenue levied for general purpose for the City increased by 4.7% in F/Y 2020-21. New value added to the tax roll was a contributor for property revenue increase along with adopting a tax rate that exceeded the No New Revenue tax rate. This additional revenue stream was needed to maintain service levels and to cover the cost of increased repair and maintenance costs, and rising health insurance premiums for employees.

The City's financial condition is very strong with fund balance reserves at levels that allow for capital projects to be addressed without borrowing money. The City Council has continued the policy that reserve levels should be maintained at a minimum of 4 months of operating expenditures in the General Fund to provide for operating liquidity and contingency funding for non-specific, unscheduled expenditures including natural disasters. The City maintains a minimum of a 90-day working capital position along with a budget designed to cover depreciation expense in each of the City's enterprise funds.

Major Initiatives

In the F/Y 2020-2021 fiscal year, the City's capital improvement program continued to focus on the rebuilding of critical infrastructure and to add amenities to improve the quality of life for our citizens.

This was accomplished through numerous public improvement projects. The projects completed are listed below:

- Phase I of the Bayfront Park Improvements
- New bulkhead/walk and handrail by Scully's
- Shade structure over the Lighthouse Beach splashpad
- Sidewalk on Bauer Street
- West George Street reconstruction
- LED lights installed on Main, Virginia and Lighthouse Beach
- New handrails and solar lights on both rock groins at Lighthouse Beach Park
- New concrete and other improvements to Lower and Upper Docks at City Harbor
- Reroofed the Lighthouse Beach restroom at the pier
- Painting and upgrades to the George Street Elevated Water Tower
- Dredged Smith Harbor
- Reconstruction of the Lighthouse Beach Fishing Pier
- Trimmed palms and removed those killed in the freeze along SH 35 and Lighthouse Beach
- Replaced missing/damaged antique globe light fixtures at the Bauer Community Center and Faye Bauer Sterling Park.
- Replaced damaged slides at the playscape on Lighthouse Beach
- Repairs to the playscapes at George Adams Park, Wilson Park and City Park

The City's capital program strategy for infrastructure improvements replaces water and/or sewer lines prior to any street improvements. This has become part of the capital improvement program strategy rolling forward each year. Over the next five years, the City will invest in drainage, streets, parks, and wastewater projects through its capital improvements program while actively seeking funding opportunities through grants and other opportunities. Future projects on the Capital Improvement Plan include:

<u>Replace/Maintain Infrastructure</u>

- Street improvement projects: consider long-term debt to speed up the replacement of failing streets

- Continue with pavement restoration and seal coat program
- Lift station upgrades
- Replacement of water/sewer lines using grants and local dollars
- Re-roof of the Police Station

Enhance City Parks & Downtown

- $13.5M DBG-Mitigation Grant to construct a Living Shoreline Breakwater to reduce the impacts to the Bayfront area from storm surge
- Boating Access Grant and Planning Grant for a new timber breakwater to protect the Nautical Landings Marina
- Construct new sidewalks identified in the city master sidewalk plan
- Phase II of Bayfront park Improvements (TX Parks & Wildlife Grant)
- Parking lot rehabilitation at Bauer Community Center
- Construction of Skate Park at Wilson Sports Complex

Environmental Code Improvement

- Continue to budget for demolition of abandoned/dilapidated structures and weed lot compliance
- Improve the housing stock through initiation of a Zoning Ordinance and various incentive programs
- Enforce building codes

Community Character

- Façade Grants for commercial businesses
- Demolish old building foundation at Fulton/Harbor or and grade and seed

Financial Information

The financial statements have been prepared in accordance with GAAP as prescribed by the Governmental Accounting Standards Board.

Internal accounting controls are established by management to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition. Also, they are designed to provide reasonable assurance as to the reliability of financial records for preparing financial statements and are employed to help maintain accountability for assets. The concept of reasonable assurance recognizes that the cost of controls should not exceed the benefits expected to be derived and the valuation of costs and benefits requires estimates and judgments by management.

In addition, the City maintains budgetary controls. The objective is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Activities of the General Fund, Debt Service Fund, Public Utility Fund, Beach Operating Fund, Port Revenue Fund, and Hotel/Motel Fund are included in the annual audit, however the only funds with appropriated budgets are the General Fund and the City's Debt Service Fund.

Independent Audit

This report is prepared in compliance with the legal requirements set forth by Article 3.10 of the Charter of the City of Port Lavaca, Texas, as amended. In addition to fulfilling this legal requirement, this report serves to fully disclose financial data on an annual basis to management, the elected City Council and Mayor, the public, investors, and other interested persons. The firm of Harrison, Waldrop & Uherek, L.L.P., Certified Public Accountants, was engaged by the City to satisfy this requirement.

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Port Lavaca for the fiscal year ended September 30, 2019. This was the nineth time since 1999. The City hopes to continue to receive this highest form of recognition for excellence in state and local government financial reporting.

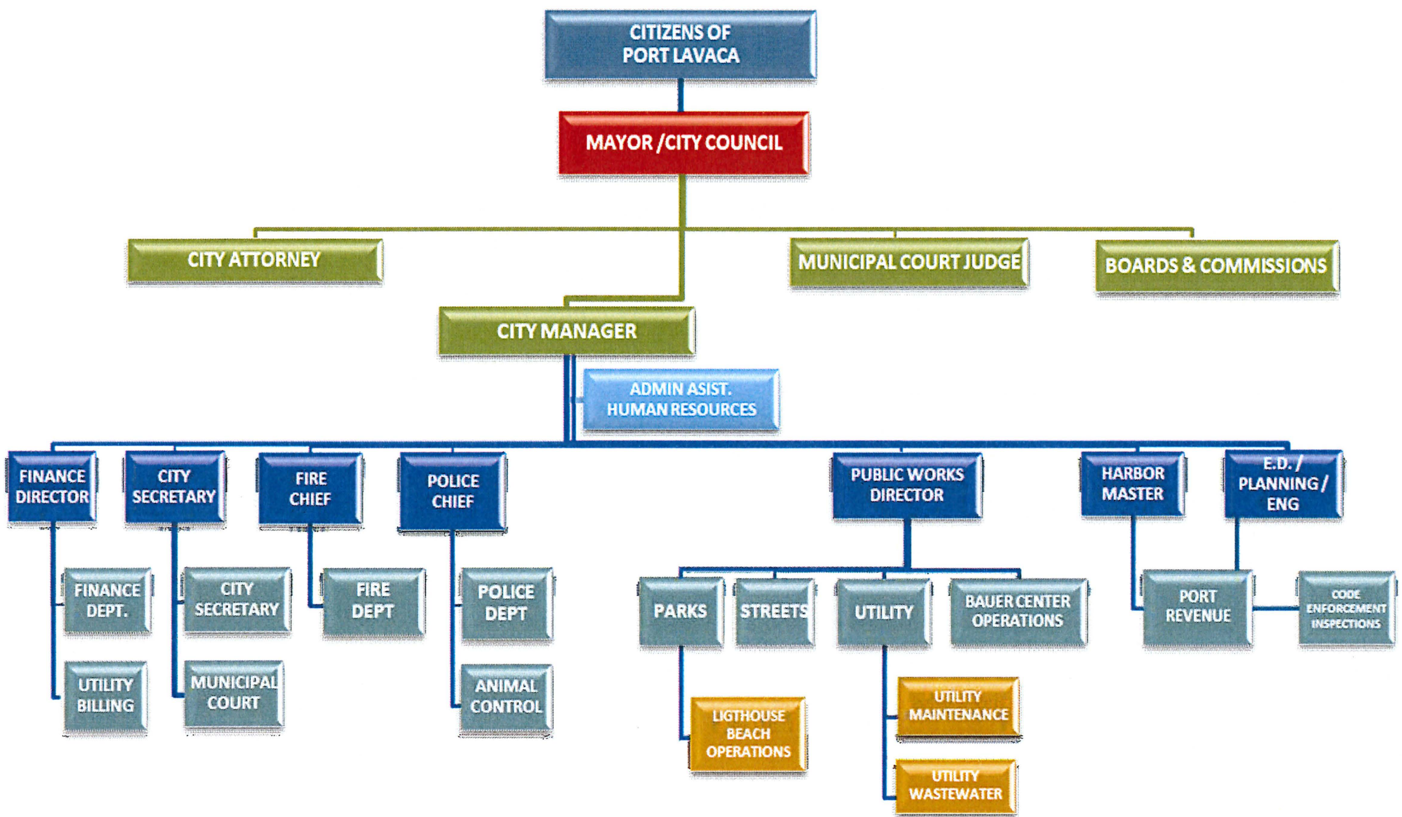
A Certificate of Achievement is valid for a period of one year only. The City believes this annual comprehensive financial report will meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report is a joint effort of the City's Finance Department and the City's independent auditor, Harrison, Waldrop, & Uherek, L.LP. We would also like to thank the Mayor and Members of City Council for their interest and support in planning and conducting the financial operations of the City in a proactive and responsible manner.

Respectfully,

JoAnna P. Weaver, P.E. Interim City Manager	Susan Lang, Director of Finance


CITIZENS OF PORT LAVACA
MAYOR / CITY COUNCIL
CITY ATTORNEY
MUNICIPAL COURT JUDGE
BOARDS & COMMISSIONS
CITY MANAGER
ADMIN ASIST. HUMAN RESOURCES
FINANCE DIRECTOR
CITY SECRETARY
FIRE CHIEF
POLICE CHIEF
PUBLIC WORKS DIRECTOR
HARBOR MASTER
E.D. / PLANNING / ENG
FINANCE DEPT.
UTILITY BILLING
CITY SECRETARY
MUNICIPAL COURT
FIRE DEPT
POLICE DEPT
ANIMAL CONTROL
PARKS
STREETS
UTILITY
BAUER CENTER OPERATIONS
LIGTHOUSE BEACH OPERATIONS
UTILITY MAINTENANCE
UTILITY WASTEWATER
PORT REVENUE
CODE ENFORCEMENT INSPECTIONS

City Officials	Elective Position
Jack Whitlow	Mayor
Ken Barr	Council Member
Jerry Smith	Council Member
Allen Tippit	Council Member
Jim Ward	Council Member
Tim Dent	Council Member
Rosie Padron	Mayor Pro-Tem

Key Staff	Appointive Position
JoAnna P. Weaver	Interim City Manager
Susan Lang	Director of Finance
Mandy Grant	City Secretary
Joe Reyes, Jr.	Chief of Fire
Colin Rangnow	Chief of Police
Wayne Shaffer	Director of Public Works
Jessica Carpenter	Director of Development

FINANCIAL SECTION

HARRISON, WALDROP & UHEREK, L.L.P.

HWU

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INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members
of the City Council
City of Port Lavaca, Texas

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

The Honorable Mayor and Members
of the City Council
City of Port Lavaca, Texas

Opinions

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

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

The Honorable Mayor and Members
of the City Council
City of Port Lavaca, Texas

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 10, 2022, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Harrison, Waldrop & Uherek, LLP

HARRISON, WALDROP & UHEREK, L.L.P.
Certified Public Accountants

May 10, 2022

As management of the City of Port Lavaca, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the year ended September 30, 2021.

FINANCIAL HIGHLIGHTS

Government-wide

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $76,336,195 (net position). Of this amount, $18,855,544 (unrestricted net position) may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by $4,310,843 over the prior year.

Governmental Activities

- Net position grew from $41,187,561 in 2020 to $43,119,358 (an increase of 5%) as of September 30, 2021.

Business-type Activities

- Net position grew from $30,837,791 in 2020 to $33,216,837 (an increase of 8%) as of September 30, 2021.

Governmental Funds

- As of September 30, 2021, the City's governmental funds reported an ending fund balance of $14,240,227, an increase of $112,187 (1%) in comparison with the prior year.
- At the end of the fiscal year, unassigned fund balance for the General Fund was $9,368,362 or 114% of total General Fund expenditures.
- The committed portion of the General Fund's fund balance totaled $2,963,681. These monies were committed by the Council to pay for capital asset replacement and to be ready financially in the event of a disaster.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Organization and Flow of Financial Section Information

Independent Auditors' Report
Provides the opinion of the Independent Auditors on the fair presentation of the basic financial statements.

Management's Discussion and Analysis
This supplementary information is required for state and local government financial statements and is intended to provide a narrative introduction and analysis.
Pages 4 to 14

Government-wide Financial Statements
Provides information on governmental and business-type activities of the primary government.
Pages 15 to 18

Fund Financial Statements
Provides information on the financial position of specific funds of the primary government.
Pages 19 to 30

Notes to Financial Statements
Provides a summary of significant accounting policies and related disclosures.
Pages 31 to 59

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Government-wide Financial Statements

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

The *statement of net position* presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., depreciation and earned but unused vacation leave).

The government-wide financial statements present functions and programs of the City that are provided for various funding sources. The government-wide financial statements can be found on pages 15-18 of this report.

Fund Financial Statements

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

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

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financial decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental funds and governmental activities. The basic governmental fund financial statements can be found on pages 19-24 of this report.

Proprietary funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges, or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. Proprietary fund financial statements can be found on pages 25-28 of this report.

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds. The City uses an expendable trust fund and custodial funds. Expendable trust funds are accounted for in essentially the same manner as governmental funds. The accounting used for custodial funds is similar to proprietary funds. Fiduciary fund financial statements can be found on pages 29-30 of this report.

OVERVIEW OF THE FINANCIAL STATEMENTS - (Continued)

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to financial statements can be found on pages 31-59 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, required supplementary information is included which presents a budgetary comparison schedule for the City's General Fund, a schedule of changes in liability and related ratios for the TMRS Defined Benefit Pension Plan, a schedule of employer contributions for the TMRS Defined Benefit Pension Plan, a schedule of changes in Total OPEB liability and related ratios for the TMRS Supplemental Death Benefit Plan, and a schedule of employer contributions for the TMRS Supplemental Death Benefit Plan. Required supplementary information can be found on pages 60-70 of this report.

The combining and individual fund statements and schedules provide additional information pertaining to the City's nonmajor governmental funds and the General Fund's budgetary performance. This other information can be found on pages 71-85 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows exceeded liabilities and deferred inflows by $76,336,195 as of September 30, 2021.

The largest portion of the City's net position (74%) reflects its investment in capital assets (e.g. land, buildings, vehicles, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the individuals we serve; consequently, these assets are not available for future spending. The second largest portion of the City's net position (25%) represents unrestricted financial resources available for future operations. Additionally, a portion of the City's net position (1%) represents resources that are subject to restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the primary government as a whole.

City of Port Lavaca, Texas

Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 17,388,515	$ 16,651,083	$ 6,371,688	$ 8,521,969	$ 23,760,203	$ 25,173,052
Capital assets, net	29,691,457	27,911,391	31,332,183	27,884,970	61,023,640	55,796,361
Total assets	47,079,972	44,562,474	37,703,871	36,406,939	84,783,843	80,969,413
Total deferred outflows of resources	305,727	245,707	61,895	91,964	367,622	337,671
Current and other liabilities	2,694,604	1,601,785	2,246,169	2,388,280	4,940,773	3,990,065
Noncurrent liabilities	1,213,580	1,577,531	2,290,188	3,251,021	3,503,768	4,828,552
Total liabilities	3,908,184	3,179,316	4,536,357	5,639,301	8,444,541	8,818,617
Total deferred inflows of resources	358,157	441,304	12,572	21,811	370,729	463,115
Net Position:						
Net investment in capital assets	28,656,325	26,755,385	27,712,054	23,856,570	56,368,379	50,611,955
Restricted	1,112,272	1,065,732	-	-	1,112,272	1,065,732
Unrestricted	13,350,761	13,366,444	5,504,783	6,981,221	18,855,544	20,347,665
Total net position	$ 43,119,358	$ 41,187,561	$ 33,216,837	$ 30,837,791	$ 76,336,195	$ 72,025,352

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

Net position of the City increased by $4,310,843. This consisted of an increase of $1,931,797 for governmental activities and $2,379,046 for business-type activities.

City of Port Lavaca, Texas

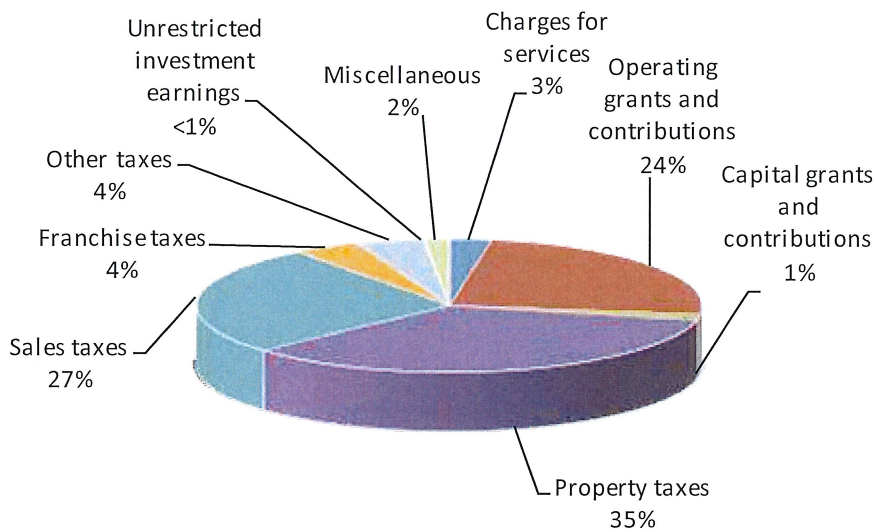
Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
REVENUES						
Program revenues:						
Charges for services	$ 355,982	$ 311,753	$ 6,341,253	$ 6,481,976	$ 6,697,235	$ 6,793,729
Operating grants and contributions	3,270,145	1,895,078	-	-	3,270,145	1,895,078
Capital grants and contributions	172,848	336,700	209,193	474,503	382,041	811,203
General revenues:						
Property taxes	4,646,594	4,517,719	-	-	4,646,594	4,517,719
Sales taxes	3,566,918	3,287,441	-	-	3,566,918	3,287,441
Franchise taxes	582,631	569,268	-	-	582,631	569,268
Other taxes	561,956	560,236	-	-	561,956	560,236
Unrestricted investment earnings	7,760	127,105	5,851	85,575	13,611	212,680
Miscellaneous	212,081	320,406	-	-	212,081	320,406
Total revenues	13,376,915	11,925,706	6,556,297	7,042,054	19,933,212	18,967,760
EXPENSES						
General government	2,236,695	2,053,858	-	-	2,236,695	2,053,858
Public safety	3,577,687	3,533,380	-	-	3,577,687	3,533,380
Public works	1,659,726	1,521,470	-	-	1,659,726	1,521,470
Parks and recreation	796,615	716,662	-	-	796,615	716,662
Interest on long-term debt	32,659	33,969	-	-	32,659	33,969
Public utilities	-	-	6,229,273	4,555,046	6,229,273	4,555,046
Port revenue	-	-	872,257	555,137	872,257	555,137
Beach operations	-	-	217,457	189,276	217,457	189,276
Total expenses	8,303,382	7,859,339	7,318,987	5,299,459	15,622,369	13,158,798
Change in net position before transfers	5,073,533	4,066,367	(762,690)	1,742,595	4,310,843	5,808,962
Transfers	(3,141,736)	280,044	3,141,736	(280,044)	-	-
Change in net position	1,931,797	4,346,411	2,379,046	1,462,551	4,310,843	5,808,962
Net position - October 1	41,187,561	36,841,150	30,837,791	29,375,240	72,025,352	66,216,390
Net position - September 30	$ 43,119,358	$ 41,187,561	$ 33,216,837	$ 30,837,791	$ 76,336,195	$ 72,025,352

GOVERNMENT-WIDE FINANCIAL ANALYSIS - (Continued)

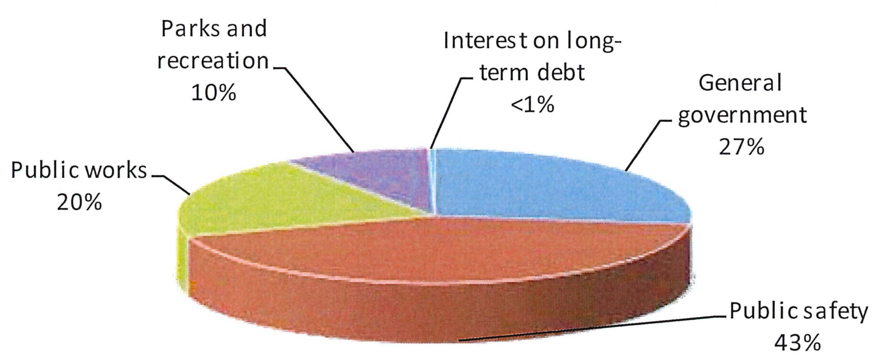
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the City's activities.

Governmental Revenues



For the fiscal year ended September 30, 2021, revenues from governmental activities totaled $13.4 million. This is an increase of 1,451,209 or 12% from fiscal year 2020. This increase was attributable to the increase in operating grants and contributions of $1,375,067 or 73% from prior year. This was mainly due to the Texas Division of Emergency Management (TDEM) monies received relating to Hurricane Harvey. In addition, sales tax revenues increased $279,477 or 9% from prior year, mainly due to increased activity post COVID-19.

Governmental Functional Expenses



For the fiscal year ended September 30, 2021, expenses for governmental activities totaled $8.3 million. This is an increase of $444,043 or 6% from fiscal year 2020. This increase was attributable to the increase in general government expenses of $182,837 or 9%, primarily due to increased economic development contracted services and technology maintenance activity. In addition, public works expenses increased $138,256 or 9% due to increases in street expenses.

Business-type activities increased the City's net position by $2,379,046. The key elements of this increase relate to the Beach Operating Fund. In fiscal year 2021, the fund received non-cash capital contributions of $2,261,537 from the Hurricane Harvey Fund primarily relating to the Lighthouse Beach fishing pier project. The fund also received transfers in of $728,108 from the General Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As previously noted, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The City's governmental funds are discussed below.

Governmental Funds

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

As of September 30, 2021, the City's governmental funds, which consist of the General Fund, one debt service fund, one capital projects fund, and eleven special revenue funds, reported an ending fund balance of $14,240,277, which is an increase of $112,187 from last year's total of $14,128,040.

The General Fund is the chief operating fund of the City. Its fund balance decreased by $805,963 during the fiscal year due mainly to planned capital spending of unassigned fund balance and an increase in transfers out of $1,407,038. As a measure of the General Fund's liquidity, it may be useful to compare unassigned fund balance to total fund expenditures. Unassigned fund balance represents 114% of total General Fund expenditures as compared to 132% in the prior year. The main reason for the decrease in percentage is due to the same reasons explained above for the decrease in overall fund balance.

The net increase in overall fund balance for governmental funds also included a decrease of $108,615 for the Hurricane Harvey Fund, a major Special Revenue Fund, an increase of $986,422 for the Street Construction Fund, a major Capital Projects Fund, and a net increase of $40,343 in other governmental funds. The reason for the decrease in the Hurricane Harvey Fund is due to expenditures exceeding intergovernmental revenues for fiscal year 2021. The reason for the increase in the Street Construction Fund is due to transfers in from the General Fund.

Proprietary Funds

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

Unrestricted net position of the Public Utility Fund at the end of the fiscal year amounted to $3,701,342. The decrease in total net position for the year was $839,056. This decrease was a result of increases in expenses across all departments, primarily relating to additional maintenance and service projects, as well as additional depreciation as a result of capital asset additions. Net positions of the Port Revenue Fund and the Beach Operating Fund both increased during the 2021 fiscal year by $251,458 and $2,966,644, respectively.

Other factors concerning the finances of these funds have been addressed in the discussion of the City's business-type activities.

GENERAL FUND BUDGETARY HIGHLIGHTS

Total revenues earned were $1,670,804 greater than final budgeted expectations, with tax revenues making up $930,103 or 56% of the positive variance. Sales tax made up $623,915 of the tax revenue variance due to extremely conservative budget estimates. Property tax contributed to $283,245 of the tax revenue variance, primarily due to the resolution of $20,337,332 in taxable values still under protest as of certification, the majority of which were settled in the City's favor. In addition, there was a $701,663 positive variance in intergovernmental grant revenue due to the Cares Act funding received relating to the COVID-19 pandemic.

GENERAL FUND BUDGETARY HIGHLIGHTS - (Continued)

Total actual expenditures were under final budgeted expenditures by $2,095,455. Conservative budgetary practices resulted in positive budget variances as it relates to general government, public safety, parks and recreation, and public works (including streets) departments. Overall, the global pandemic slowed down numerous capital projects planned for fiscal year 2021, and many had to be carried over to fiscal year 2022. A few of the variances are briefly summarized as follows:

- Personnel expenditures in the police and streets departments were under budget by $269,461 and $227,579, respectively. This is attributed to an over-estimation of health insurance premiums, a major switch in health insurance coverage options from employee plus dependent (70% in FY20), of which the City pays 80%, to employee only coverage (55% in FY21), and several vacant positions. Additionally, the City did not employ any temporary personnel during the year due to the pandemic.
- Capital outlay expenditures in the police department were under budget by $205,260 due to the postponement of a $200,000 re-roof project. Funds were re-budgeted in fiscal year 2022 and the project was substantially complete during the first six months of fiscal year 2022.
- Maintenance expenditures in the streets department were under budget by $232,133 due to the postponement of a $150,000 sealcoat program for numerous city streets as a result of personnel shortages and weather conditions. There was also $45,000 that was rolled over from the previous fiscal year for maintenance projects that were not complete, but subsequently had to be delayed due to a shortage in personnel and the effects of the pandemic.

Differences between the General Fund's original budget and final amended budget were a net increase of $89,508 to expenditures and $42,851 to revenues. Major changes are briefly summarized as follows:

- An increase of $41,849 in public safety for the police and fire departments which accounted for donations received and reimbursements for the purchase of additional safety equipment and training for each of the departments.
- An increase in of $74,000 in public works in the street department for an additional $45,000 necessary to finish a street repairs project which was rolled over from the previous fiscal year, and an additional $29,000 to be allocated to complete a drainage project from the previous fiscal year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of September 30, 2021, amounts to $61,023,640 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, machinery and equipment, vehicles, buildings, improvements, and infrastructure.

City of Port Lavaca, Texas

Capital Assets (Net of Depreciation)

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	$ 1,844,144	$ 1,844,144	$ 2,316,718	$ 2,316,718	$ 4,160,862	$ 4,160,862
Construction in progress	2,194,720	4,358,662	982,800	3,520,313	3,177,520	7,878,975
Machinery and equipment	1,022,414	859,269	518,663	550,030	1,541,077	1,409,299
Buildings and structures	5,306,493	4,228,852	2,137,396	2,066,131	7,443,889	6,294,983
Infrastructure	19,323,686	16,620,464	25,376,606	19,431,778	44,700,292	36,052,242
Total	$ 29,691,457	$ 27,911,391	$ 31,332,183	$ 27,884,970	$ 61,023,640	$ 55,796,361

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Capital Assets - (Continued)

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

- Construction in progress of $2,194,720 primarily includes $1,627,723 for various street improvement projects, $389,907 for Bayfront Park improvements, $87,571 for the Veterans' Memorial, and various other items.
- Infrastructure additions include street improvement projects in the amount of $3,017,838, as well as park improvements and various other items.
- Machinery and equipment additions include the following: street maintenance equipment, police vehicles and equipment, parks vehicle, and various other items.
- Building improvement additions include $820,874 for the completion of various park building improvements, $486,908 for the completion of the Bauer Center roof, as well as various improvements to city hall, the fire station, and other buildings.

Major capital asset events for business-type activities during the current fiscal year included the following:

- Construction in progress of $982,800 primarily includes $391,596 for lift station upgrades, $258,546 for lift station generators, and various other public utility and port improvement items.
- Infrastructure additions include $2,824,032 for Lighthouse Beach Fishing Pier and dock improvements, $3,405,793 for marina and bulkhead improvements, and $911,715 for water and sewer improvement projects.
- Machinery and equipment additions include the following: solid waste pump for the port, as well as a front-end loader and mower for public utilities.
- Building improvement additions include $169,806 for boat ramps, $54,209 for splash pad and playscape improvements, and $18,885 for restrooms at the pier.

Long-term Debt

At the end of the current fiscal year, the City had total bonded debt outstanding of $3,780,000 (net of unamortized deferred amounts) of which 100% is backed by the full faith and credit of the government. The following table details the nature of this debt and other debt obligations of the City.

City of Port Lavaca, Texas

Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue bonds	$ -	$ -	$ 980,000	$ 1,750,000	$ 980,000	$ 1,750,000
General obligation bonds	700,000	1,005,000	-	-	700,000	1,005,000
Certificates of obligation	-	-	2,100,000	2,270,000	2,100,000	2,270,000
Loan payable	175,170	187,825	-	-	175,170	187,825
Issuance premiums	-	-	89,661	94,717	89,661	94,717
Compensated absences	137,782	141,831	15,574	13,167	153,356	154,998
OPEB liability	322,878	272,872	35,875	30,319	358,753	303,191
Net pension liability	262,947	334,462	29,217	37,163	292,164	371,625
Total	$ 1,598,777	$ 1,941,990	$ 3,250,327	$ 4,195,366	$ 4,849,104	$ 6,137,356

CAPITAL ASSET AND DEBT ADMINISTRATION - (Continued)

Long-term Debt - (Continued)

The City's total outstanding debt decreased by $1,288,251 or 21% from the prior fiscal year. The key factors in this net decrease were:

- Payments made on the certificates and bonds during fiscal year 2021 totaled $1,245,000.
- Payments made on the loan payable totaled $12,655.
- OPEB liability increased $55,562.
- Net pension liability decreased by $79,460.

Additional information on the City's long-term debt can be found in Note 9 in the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

General Fund

The City had been experiencing a steady growth in sales tax since 2010, however the Global Pandemic caused a dip in the growth in 2020, but 2021 shows signs that the City is on the rebound with an increase from 2020 to 2021 of 8.5%, which has brought the City's sales tax revenue back up to slightly greater then pre-pandemic levels. Property values continue to increase, which is fueling the increase in ad valorem revenue for maintenance and operations from $4,124,204 in fiscal year 2020 to $4,319,305 in fiscal year 2021, or 4.7% increase from the previous year. The City anticipates the property values will show modest growth or remain steady for the next two years but anticipates an extremely large jump in values due to the "seller's market" and price of home sales during the first quarter of 2022.

The City approved a Five-Year Capital Plan that continues to focus on infrastructure upgrades and improvements to streets and parks based on a "pay as you go" philosophy, but realizes that larger street and drainage projects will require the issuance of debt in the coming years.

Almost all of the recovery projects from Hurricane Harvey have been completed, including the Light House Beach fishing pier, and the City was able to take advantage of its losses by setting itself up for future mitigation projects, which leverage the grants passed through from the federal government through the State. One of the projects will facilitate major drainage improvements in a targeted area which will be the beneficiary of over $5 million in drainage improvements in order to reduce future flood events. Another grant will facilitate almost $14 million in improvements to mitigate storm surge through a coastal resiliency project. Additional projects awarded through Texas Parks and Wildlife are in process and will increase the quality of life by adding walking and bike trails along the Bayfront Park and Veterans' Memorial.

Additionally, the City has awarded a downtown waterfront master plan to LJA Engineering, who will work to incorporate the City's existing comprehensive plan into a cohesive actionable road map for the future of Port Lavaca.

Utility Fund

The City has identified the major source of water loss, in that numerous (almost 50%) of the residential water meters have failed and are no longer registering usage. A $2 million comprehensive meter replacement project is under way, which will not only pay for itself in two and a half years but will accurately account for the actual water use. We also believe this will facilitate conservation efforts on the part of the users and strengthen our water system infrastructure.

The City plans a continuation of infrastructure replacement. The City has replaced many old, clay sewer lines by means of grants and has replaced antiquated water lines with Public Utility Fund revenues. Plans are to replace water lines and valves to increase water pressure, provide cleaner water, decrease water loss percentage, and reduce outages due to very old infrastructure.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES - (Continued)

Utility Fund - (Continued)
The City plans to utilize the American Rescue Plan funds to perform water and sewer infrastructure improvements which include re-commissioning a ground storage tank with high service pump for water improvements to meet TCEQ recommendations as well as improve the processes at the wastewater treatment plant to allow additional time to engineer either an expansion or new plant which will also abide by TCEQ guidelines.

Discussions continue with the Guadalupe-Blanco River Authority related to major upgrades or reconstruction to the water treatment facility.

Beach Fund
The Light House Beach Fishing Pier, playscape, and other amenities damaged by Hurricane Harvey were replaced utilizing FEMA Public Assistance grant funds. Future plans for the beach include improvements to the electrical service for the RV park, and the addition of a Camp Host position as a full-time paid position which will be on-site 24/7.

Port Revenue Fund
The City has been awarded a Texas Parks and Wildlife Grant for a breakwater project which will improve the facilities. Repairs and improvements to the bulkhead and dock facilities have been accomplished. The waterfront master plan will incorporate the existing assets of the port area to enhance the downtown waterfront.

All Major Funds
A major draw-down of the City's unreserved fund balance, in excess of the required reserves, will be utilized to facilitate one-time major improvements to streets, security enhancements at the police department, major repairs and maintenance projects to city facilities, equipment purchases and software purchases.

It is anticipated that the City will embark on the issuance of debt in the near future to facilitate long-term financing for major street, drainage, water and sewer line replacements.

All fund balances are projected to remain healthy and at or above the prescribed budgetary and financial management policies as adopted by the City Council on an annual basis.

REQUESTS FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Port Lavaca: Finance Director, 202 North Virginia, Port Lavaca, Texas 77979.

Basic Financial Statements

CITY OF PORT LAVACA, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current assets			
Cash and cash equivalents	$ 14,401,621	$ 5,257,533	$ 19,659,154
Receivables (net)	750,730	687,457	1,438,187
Due from other governments	1,700,038	349,427	2,049,465
Prepaid items	536,126	38,488	574,614
Inventory	-	38,783	38,783
Total current assets	17,388,515	6,371,688	23,760,203
Noncurrent assets			
Capital assets			
Land and other assets not being depreciated	4,038,864	3,299,518	7,338,382
Assets being depreciated (net)	25,652,593	28,032,665	53,685,258
Total noncurrent assets	29,691,457	31,332,183	61,023,640
Total assets	47,079,972	37,703,871	84,783,843
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflow related to pension	208,480	4,819	213,299
Deferred outflow related to OPEB	71,602	8,739	80,341
Deferred amount on refunding	25,645	48,337	73,982
Total deferred outflows of resources	305,727	61,895	367,622

The accompanying notes are an integral part of this statement.

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities			
Accounts payable	$ 540,983	$ 983,637	$ 1,524,620
Payroll related liabilities	196,765	37,770	234,535
Accrued interest payable	1,791	13,270	15,061
Due to other governments	12,072	7,023	19,095
Accrued compensated absences	45,468	5,139	50,607
Unearned revenue	1,536,543	67,432	1,603,975
Customer deposits	21,253	176,898	198,151
Current portion of long-term obligations	339,729	955,000	1,294,729
Total current liabilities	2,694,604	2,246,169	4,940,773
Noncurrent liabilities			
Accrued compensated absences	92,314	10,435	102,749
Net pension liability	262,947	29,217	292,164
OPEB liability	322,878	35,875	358,753
Noncurrent portion of long-term obligations	535,441	2,214,661	2,750,102
Total noncurrent liabilities	1,213,580	2,290,188	3,503,768
Total liabilities	3,908,184	4,536,357	8,444,541
DEFERRED INFLOWS OF RESOURCES			
Deferred inflow related to pension	335,802	9,790	345,592
Deferred inflow related to OPEB	22,355	2,782	25,137
Total deferred inflows of resources	358,157	12,572	370,729
NET POSITION			
Net investment in capital assets	28,656,325	27,712,054	56,368,379
Restricted for:			
Debt service	203,230	-	203,230
Economic development, tourism and conventions	831,031	-	831,031
Public safety	16,634	-	16,634
Municipal court	61,377	-	61,377
Unrestricted	13,350,761	5,504,783	18,855,544
Total net position	$ 43,119,358	$ 33,216,837	$ 76,336,195

CITY OF PORT LAVACA, TEXAS
STATEMENT OF ACTIVITIES
For the year ended September 30, 2021

		Program Revenues		
Function/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities				
General government	$ 2,236,695	$ 286,162	$ 700,582	$ -
Public safety	3,577,687	10,165	282,271	6,463
Public works	1,659,726	-	-	166,385
Parks and recreation	796,615	59,655	2,287,292	-
Interest on long-term debt	32,659	-	-	-
Total governmental activities	8,303,382	355,982	3,270,145	172,848
Business-type activities				
Public utilities	6,229,273	5,414,992	-	209,193
Port revenue	872,257	721,804	-	-
Beach operations	217,457	204,457	-	-
Total business-type activities	7,318,987	6,341,253	-	209,193
Total government	$ 15,622,369	$ 6,697,235	$ 3,270,145	$ 382,041

General revenues:
Taxes:
Property taxes, levied for general purposes
Property taxes, levied for debt service
Sales taxes
Franchise taxes
Other taxes
Unrestricted investment earnings
Miscellaneous
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-type Activities	Total
$ (1,249,951)	$ -	$ (1,249,951)
(3,278,788)	-	(3,278,788)
(1,493,341)	-	(1,493,341)
1,550,332	-	1,550,332
(32,659)	-	(32,659)
(4,504,407)	-	(4,504,407)
-	(605,088)	(605,088)
-	(150,453)	(150,453)
-	(13,000)	(13,000)
-	(768,541)	(768,541)
(4,504,407)	(768,541)	(5,272,948)
4,315,264	-	4,315,264
331,330	-	331,330
3,566,918	-	3,566,918
582,631	-	582,631
561,956	-	561,956
7,760	5,851	13,611
212,081	-	212,081
(3,141,736)	3,141,736	-
6,436,204	3,147,587	9,583,791
1,931,797	2,379,046	4,310,843
41,187,561	30,837,791	72,025,352
$ 43,119,358	$ 33,216,837	$ 76,336,195

CITY OF PORT LAVACA, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Hurricane Harvey	ARPA/CLFRF Grant
ASSETS			
Current assets			
Cash and cash equivalents	$ 10,174,917	$ -	$ 1,468,627
Receivables (net)	652,318	-	-
Due from other governments	644,462	1,049,113	-
Due from other funds	1,974,951	-	-
Prepaid items	536,126	-	-
Total assets	$ 13,982,774	$ 1,049,113	$ 1,468,627
LIABILITIES			
Accounts payable	$ 248,000	$ 133,017	$ -
Payroll related payables	196,765	-	-
Due to other governments	12,072	-	-
Due to other funds	-	1,968,488	-
Customer and other deposits	21,253	-	-
Unearned revenue	67,916	-	1,468,627
Total liabilities	546,006	2,101,505	1,468,627
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	568,599	237,345	-
Total deferred inflows of resources	568,599	237,345	-
FUND BALANCES			
Nonspendable	536,126	-	-
Restricted	-	-	-
Committed	2,963,681	-	-
Unassigned	9,368,362	(1,289,737)	-
Total fund balances	12,868,169	(1,289,737)	-
Total liabilities, deferred inflows and fund balances	$ 13,982,774	$ 1,049,113	$ 1,468,627

The accompanying notes are an integral part of this statement.

Street Construction	Other Governmental Funds	Total Governmental Funds
$ 1,730,369	$ 1,027,708	$ 14,401,621
-	98,412	750,730
-	6,463	1,700,038
-	-	1,974,951
-	-	536,126
$ 1,730,369	$ 1,132,583	$ 19,363,466
$ 147,910	$ 12,057	$ 540,984
-	-	196,765
-	-	12,072
-	6,463	1,974,951
-	-	21,253
-	-	1,536,543
147,910	18,520	4,282,568
-	34,727	840,671
-	34,727	840,671
-	-	536,126
1,582,459	1,085,799	2,668,258
-	-	2,963,681
-	(6,463)	8,072,162
1,582,459	1,079,336	14,240,227
$ 1,730,369	$ 1,132,583	$ 19,363,466

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CITY OF PORT LAVACA, TEXAS

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF GOVERNMENTAL ACTIVITIES
September 30, 2021

Total governmental fund balances		$ 14,240,227
Amounts reported for governmental activities in the statement of net position are different because:		
Property taxes receivable will be collected this year, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as "unavailable" in the funds.		516,677
Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current-period expenditures. Those assets (for example, receivables) are offset by unavailable revenues in the governmental funds and thus are not included in fund balance.		323,995
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The governmental capital assets at year-end consist of:		
Governmental capital assets costs	$ 54,170,079	
Accumulated depreciation of governmental capital assets	(24,478,622)	29,691,457
Deferred outflows of resources are not reported in the governmental funds:		
Deferred amount on refunding	25,645	
Deferred amount on pension	208,480	
Deferred amount on OPEB	71,602	305,727
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds payable	(700,000)	
Loan payable	(175,170)	
Accrued interest payable	(1,791)	
Compensated absences	(137,782)	
OPEB liability	(322,878)	
Net pension liability	(262,947)	(1,600,568)
Deferred inflows of resources are not reported in the governmental funds:		
Deferred amount on pension	(335,802)	
Deferred amount on OPEB	(22,355)	(358,157)
Net position of governmental activities		$ 43,119,358

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended September 30, 2021

	General	Hurricane Harvey	ARPA/CLFRF Grant
REVENUES			
Taxes			
Ad valorem	$ 4,319,305	$ -	$ -
Sales	3,566,918	-	-
Other	616,440	-	-
Fines, fees, and forfeitures	251,960	-	-
Intergovernmental	975,127	2,776,971	-
Licenses and permits	161,772	-	-
Investment	7,022	-	-
Rental	59,655	-	-
Charges for services	10,127	-	-
Miscellaneous	68,889	-	-
Total revenues	10,037,215	2,776,971	-
EXPENDITURES			
Current			
General government	2,005,744	-	-
Public safety	3,642,168	-	-
Public works	1,152,387	-	-
Parks and recreation	743,956	-	-
Capital outlay	638,381	2,885,586	-
Debt service			
Principal retirement	12,655	-	-
Interest and fiscal charges	4,659	-	-
Total expenditures	8,199,950	2,885,586	-
Excess (deficiency) of revenues over expenditures	1,837,265	(108,615)	-
OTHER FINANCING SOURCES (USES)			
Transfers in	561,810	-	-
Transfers out	(3,205,038)	-	-
Total other financing sources (uses)	(2,643,228)	-	-
Net change in fund balances	(805,963)	(108,615)	-
Fund balances at beginning of year	13,674,132	(1,181,122)	-
Fund balances at end of year	$ 12,868,169	$ (1,289,737)	$ -

The accompanying notes are an integral part of this statement.

Street Construction	Other Governmental Funds	Total Governmental Funds
$ -	$ 331,528	$ 4,650,833
-	-	3,566,918
-	528,147	1,144,587
-	8,320	260,280
-	166,385	3,918,483
-	-	161,772
-	738	7,760
-	-	59,655
-	-	10,127
-	500	69,389
-	1,035,618	13,849,804
-	232,028	2,237,772
-	35,044	3,677,212
-	-	1,152,387
-	-	743,956
1,452,578	166,385	5,142,930
-	305,000	317,655
-	17,606	22,265
1,452,578	756,063	13,294,177
(1,452,578)	279,555	555,627
2,439,000	37,930	3,038,740
-	(277,142)	(3,482,180)
2,439,000	(239,212)	(443,440)
986,422	40,343	112,187
596,037	1,038,993	14,128,040
$ 1,582,459	$ 1,079,336	$ 14,240,227

CITY OF PORT LAVACA, TEXAS

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

For the year ended September 30, 2021

Total net change in fund balances - governmental funds		$ 112,187
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Increase in capital assets	$ 2,859,035	
Depreciation expense	(1,078,969)	1,780,066
Current year payments on long-term debt are expenditures in the fund financial statements, but they serve to reduce long-term liabilities in the government-wide financial statements. In the current year, these amounts consist of:		
Bond principal retirement	305,000	
Loan principal retirement	12,655	317,655
Because some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues and are deferred in the governmental funds. Similarly, other revenues are not currently available at year-end and are not reported as revenue in the governmental funds.		
Property taxes	3,822	
Other revenues	(476,711)	(472,889)
Some items 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. These activities consist of:		
Decrease in compensated absences	4,049	
Decrease in safety pay	25,271	
Decrease in loss on bond refunding	(11,174)	
Decrease in accrued interest	780	
Net pension costs	203,414	
Net OPEB costs	(27,562)	194,778
Change in net position of governmental activities		$ 1,931,797

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
September 30, 2021

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
ASSETS				
Current assets				
Cash and cash equivalents	$ 3,610,251	$ 859,403	$ 787,879	$ 5,257,533
Receivables (net)	636,624	50,382	451	687,457
Due from other governments	229,427	120,000	-	349,427
Prepaid items	29,592	6,470	2,426	38,488
Inventory	38,783	-	-	38,783
Total current assets	4,544,677	1,036,255	790,756	6,371,688
Noncurrent assets				
Capital assets				
Land and other assets not being depreciated	1,009,015	2,016,690	273,813	3,299,518
Assets being depreciated (net)	17,754,465	6,225,754	4,052,446	28,032,665
Net noncurrent assets	18,763,480	8,242,444	4,326,259	31,332,183
Total assets	23,308,157	9,278,699	5,117,015	37,703,871
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflow related to pension	4,819	-	-	4,819
Deferred outflow related to OPEB	8,739	-	-	8,739
Deferred amount on refunding	48,337	-	-	48,337
Total deferred outflows of resources	61,895	-	-	61,895
LIABILITIES				
Current liabilities				
Accounts payable	570,833	313,942	98,862	983,637
Payroll related liabilities	35,207	2,563	-	37,770
Accrued interest payable	2,378	10,892	-	13,270
Due to other governments	7,023	-	-	7,023
Accrued compensated absences	3,527	1,612	-	5,139
Unearned revenue	63,057	4,375	-	67,432
Customer deposits	175,898	100	900	176,898
Current portion of noncurrent liabilities				
Bonds and certificates	780,000	175,000	-	955,000
Total current liabilities	1,637,923	508,484	99,762	2,246,169
Long-term liabilities, net of current portion				
Accrued compensated absences	7,161	3,274	-	10,435
Net pension liability	29,217	-	-	29,217
OPEB liability	35,875	-	-	35,875
Bonds and certificates (net of unamortized deferred amounts)	200,000	2,014,661	-	2,214,661
Total long-term liabilities	272,253	2,017,935	-	2,290,188
Total liabilities	1,910,176	2,526,419	99,762	4,536,357
DEFERRED INFLOWS OF RESOURCES				
Deferred inflow related to pension	9,790	-	-	9,790
Deferred inflow related to OPEB	2,782	-	-	2,782
Total deferred inflows of resources	12,572	-	-	12,572
NET POSITION				
Net investment in capital assets	17,745,962	5,737,292	4,228,800	27,712,054
Unrestricted	3,701,342	1,014,988	788,453	5,504,783
Total net position	$ 21,447,304	$ 6,752,280	$ 5,017,253	$ 33,216,837

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
For the year ended September 30, 2021

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
OPERATING REVENUES				
Charges for services				
Water sales	$ 2,153,241	$ -	$ -	$ 2,153,241
Sewer services	1,874,091	-	-	1,874,091
Waste collection	802,327	-	-	802,327
Tap and service fees	418,604	-	-	418,604
Gate fees	-	-	59	59
Leases and rentals	-	605,311	201,883	807,194
Port tariffs	-	115,924	-	115,924
Penalties	32,174	-	-	32,174
Miscellaneous	134,555	569	2,515	137,639
Total operating revenues	5,414,992	721,804	204,457	6,341,253
OPERATING EXPENSES				
Personnel services	815,916	91,350	-	907,266
Materials and supplies	70,994	8,261	808	80,063
Services	2,009,688	121,915	40,207	2,171,810
Water purchases	1,285,914	-	-	1,285,914
Maintenance and repairs	839,114	336,322	19,761	1,195,197
Depreciation and amortization	1,110,285	230,082	145,379	1,485,746
Miscellaneous	73,300	-	11,302	84,602
Total operating expenses	6,205,211	787,930	217,457	7,210,598
Operating income (loss)	(790,219)	(66,126)	(13,000)	(869,345)
NONOPERATING REVENUES (EXPENSES)				
Investment income	4,807	735	309	5,851
Interest and fiscal charges	(24,062)	(84,327)	-	(108,389)
Net nonoperating revenues	(19,255)	(83,592)	309	(102,538)
Income before capital contributions and transfers	(809,474)	(149,718)	(12,691)	(971,883)
Capital grants and contributions	209,193	436,759	2,261,537	2,907,489
Transfers in	-	-	728,108	728,108
Transfers out	(238,775)	(35,583)	(10,310)	(284,668)
Change in net position	(839,056)	251,458	2,966,644	2,379,046
Total net position at beginning of year	22,286,360	6,500,822	2,050,609	30,837,791
Total net position at end of year	$ 21,447,304	$ 6,752,280	$ 5,017,253	$ 33,216,837

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2021

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 5,706,329	$ 734,089	$ 204,457	$ 6,644,875
Cash payments to suppliers for goods and services	(4,570,729)	(267,178)	(120,656)	(4,958,563)
Cash payments to employees for services	(833,310)	(89,593)	-	(922,903)
Net cash provided (used) by operating activities	302,290	377,318	83,801	763,409
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers to other funds	(238,775)	(35,583)	(10,310)	(284,668)
Transfers from other funds	-	-	728,108	728,108
Net cash provided (used) by noncapital financing activities	(238,775)	(35,583)	717,798	443,440
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Acquisition of capital assets	(939,675)	(742,551)	(514,458)	(2,196,684)
Receipts from capital grants and contributions	3,026	-	-	3,026
Principal paid on capital debt	(770,000)	(170,000)	-	(940,000)
Interest paid on capital debt	(25,785)	(90,328)	-	(116,113)
Net cash provided (used) by capital financing activities	(1,732,434)	(1,002,879)	(514,458)	(3,249,771)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	4,807	735	309	5,851
Net cash provided (used) by investing activities	4,807	735	309	5,851
Net increase (decrease) in cash and cash equivalents	(1,664,112)	(660,409)	287,450	(2,037,071)
Cash and cash equivalents at beginning of year	5,274,363	1,519,812	500,429	7,294,604
Cash and cash equivalents at end of year	$ 3,610,251	$ 859,403	$ 787,879	$ 5,257,533

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the year ended September 30, 2021

	Business-type Activities - Enterprise Funds			
	Public Utility	Port Revenue	Beach Operating	Total
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:				
Operating income	$ (790,219)	$ (66,126)	$ (13,000)	$ (869,345)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	1,110,285	230,082	145,379	1,485,746
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	335,834	12,585	-	348,419
(Increase) decrease in prepaid expense	(19,507)	(1,021)	(591)	(21,119)
(Increase) decrease in inventory	(7,922)	-	-	(7,922)
(Increase) decrease in deferred outflow related to pension	(4,819)	-	-	(4,819)
(Increase) decrease in deferred outflow related to OPEB	(3,092)	-	-	(3,092)
Increase (decrease) in accounts and other payables	(262,983)	200,341	(47,987)	(110,629)
Increase (decrease) in payroll related liabilities	1,044	452	-	1,496
Increase (decrease) in due to other governments	(1,307)	-	-	(1,307)
Increase (decrease) in compensated absences	1,102	1,305	-	2,407
Increase (decrease) in net pension liability	(7,946)	-	-	(7,946)
Increase (decrease) in OPEB liability	5,556	-	-	5,556
Increase (decrease) in unearned revenue	(12,586)	-	-	(12,586)
Increase (decrease) in customer deposits	(31,911)	(300)	-	(32,211)
Increase (decrease) in deferred inflow related to pension	(9,837)	-	-	(9,837)
Increase (decrease) in deferred inflow related to OPEB	598	-	-	598
Net cash provided (used) by operating activities	$ 302,290	$ 377,318	$ 83,801	$ 763,409
Noncash capital and related financing activites				
Noncash capital grants and contributions	$ -	$ 436,759	$ 2,261,537	$ 2,698,296

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2021

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
ASSETS		
Cash and cash equivalents	$ 50	$ 30,700
Total assets	50	30,700
LIABILITIES	-	-
NET POSITION		
Restricted for payment of pension benefits	50	30,700
Total net position	$ 50	$ 30,700

The accompanying notes are an integral part of this statement.

CITY OF PORT LAVACA, TEXAS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FIDUCIARY FUNDS

For the year ended September 30, 2021

	Fireman's Relief and Retirement Fund	Police Seized Nonforfeiture Fund
ADDITIONS		
Employer contributions	$ 1,775	$ -
Seizure collections	-	4,844
Total additions	1,775	4,844
DEDUCTIONS		
Benefits paid	1,725	-
Seizure disbursements	-	1,219
Total deductions	1,725	1,219
Change in net position	50	3,625
Net position at beginning of year, as restated	-	27,075
Net position at end of year	$ 50	$ 30,700

The accompanying notes are an integral part of this statement.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Port Lavaca, Texas (the "City"), was incorporated January 31, 1956, under a home rule charter. The City operates under a Council-Manager form of government. The City Council consists of the mayor and six council members. The City provides services related to the following: public safety (police and fire), highways and streets, sanitation, health and welfare, culture and recreation, economic development, planning and zoning, and general administrative services.

A. Reporting Entity

The City's basic financial statements include the accounts of all City operations. The criteria for including legally separate organizations as component units within the City's reporting entity are set forth in Section 2100 of GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). No legally separate organizations met the necessary criteria for inclusion as component units for the year ended September 30, 2021.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes, and intergovernmental revenues are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. 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, as are the proprietary fund financial statements. Revenues are recorded when transactions occur and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

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

Sales taxes, franchise taxes, fines, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

The City reports the following major governmental funds:

The General Fund is the City's main operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The City has eleven Special Revenue Funds, two of which have been reported as major funds:

- The Hurricane Harvey Fund is used to account for state and federal proceeds received and expenditures incurred by the City related to Hurricane Harvey.
- The ARPA/CLFRF Grant Fund accounts for federal funds received to construct certain qualified water and sewer infrastructure projects which are funded to state and local governments through the Coronavirus Local Fiscal Recovery Fund (CLFRF) as established under section 9901 of the American Rescue Plan Act (ARPA) of 2021.

The Capital Project Funds account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities or other capital assets. Capital Project Funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments. The City has one Capital Project Fund, which has been reported as a major fund. The Street Construction Fund accounts for the funding of street improvements by the use of bond proceeds or by funds from other governmental funds.

The City reports the following major enterprise (proprietary) funds:

The Public Utility Fund accounts for the activities of the City related to its provision of water, wastewater, and sanitation services.

The Port Revenue Fund accounts for the harbor and port activities of the City.

The Beach Operating Fund accounts for the revenues and expenses related to the operation of the City's Lighthouse Beach and adjacent RV park.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - (Continued)

Additionally, the City reports the following fund types:

Debt Service Fund - The 2012 General Obligation Refunding Bonds Fund accounts for the resources accumulated and payments made for principal and interest on the City's 2012 General Obligation Refunding Bonds.

Pension Trust Fund - The Fireman's Relief and Retirement Fund accounts for the accumulation and payment of retirement benefits to the City's eligible retired volunteer fire-fighters.

Custodial Fund - The Police Seized Nonforfeiture Fund accounts for assets seized by the City's police department in various law enforcement actions prior to disposition of the assets by court authorities.

The proprietary funds are accounted for on a flow of *economic resources measurement focus* and utilize the *accrual basis of accounting*. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the statement of net position. The fund equity is segregated into net investment in capital assets, restricted net position, and unrestricted net position.

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

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets and Budgetary Accounting

As set forth in the City Charter, the City Council legally adopts an annual budget for the General Fund and the Debt Service Fund. The budgets for these governmental funds are prepared in accordance with generally accepted accounting principles (GAAP). The City Manager is authorized to transfer budgeted amounts within departments of individual funds; however, any revisions that alter the total departmental expenditures/expenses must be approved by the City Council. Therefore, the legal level of budgetary control is at the departmental level. Each fund other than the General Fund is defined as its own department. All encumbered and unencumbered appropriations lapse at the end of the fiscal year.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

E. Deposits and Investments

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

The City may invest excess funds in any instruments authorized by its adopted investment policy. The City's authorized investment options are more restrictive than those allowed under the Public Funds Investment Act of Texas. Investments authorized under the City's investment policy include the following: Obligations of the United States or its agencies and instrumentalities which have a liquid market with a readily determinable fair value; direct obligations of the State of Texas and agencies thereof; other obligations, the principal of and interest on which are unconditionally guaranteed by the State of Texas or United States of America; obligations of the State, agencies thereof, counties, cities, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm, and having received a rating of not less than A or its equivalent; certificates of deposit of state or national banks domiciled in Texas, guaranteed or insured by the Federal Deposit Insurance Corporation (FDIC) or by obligations previously mentioned; fully collateralized direct repurchase agreements with a defined termination date secured by obligations of the United States or its agencies or instrumentalities pledged with a third party; and certain joint pools of political subdivisions in the State of Texas that invest in instruments and follow practices allowed by current law.

Investments for the City are recorded at amortized cost, which as of September 30, 2021, approximates fair value.

F. Receivables and Payables

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All receivables are reported net of an applicable allowance for uncollectibles. Allowance accounts related to trade accounts receivable are based upon management estimates. The property tax receivable allowance is equal to 5% of outstanding property taxes at September 30, 2021.

The Calhoun County Appraisal District bills and collects property taxes for the City. These taxes are levied on October 1st of each year and are payable by the following January 31st, at which time penalties and interest charges are assessed on unpaid balances. An enforceable lien on property is attached on all ad valorem taxes unpaid as of January 1st following the year of levy.

G. Inventories and Prepaid Items

All inventories are valued at the lower of cost or market on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased, and no material amounts of inventory were held by these funds as of year-end. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded when purchased rather than when consumed.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

H. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, drainage systems, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide statement of net position. Except for infrastructure assets, the City defines capital assets as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Infrastructure assets are capitalized if their cost exceeds $100,000. Assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the lives of assets are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the City is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and Improvements	5-50
Public Domain Infrastructure	50-75
Utility System Infrastructure	20-75
Machinery and Equipment	5-10

I. Compensated Absences

It is the City's policy to permit employees to accumulate vacation and sick pay benefits. Unused vacation benefits are reported in the accompanying financial statements according to the provisions of GASB Statement No. 16. Earned but unused sick pay benefits are not recorded as liabilities as the City's policy for payment of these benefits excludes them based on the applicable GASB and FASB pronouncements.

J. Long-term Obligations

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and/or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category.

- Deferred charges on refunding – A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Pension/OPEB contributions after measurement date – These contributions are deferred and recognized in the following fiscal year.
- Differences between actuarial assumptions used and actual experience for determination of pension or OPEB liability – These differences are deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

In addition to liabilities, the statement of financial position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. This year, the City has the following items that qualify for reporting in this category.

- Difference in projected and actual earnings on pension assets – This difference is deferred and amortized over a closed five-year period.
- Difference in expected and actual pension or OPEB experience is deferred and recognized over the estimated average remaining lives of all members determined as of the measurement date.
- Changes in actuarial assumptions used to determine pension or OPEB liability – This difference is deferred and amortized over the estimated average remaining lives of all members determined as of the measurement date.

L. Pensions and OPEB

For purposes of measuring the net pension liability, OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions and OPEBs, and pension and OPEB expense, information about the fiduciary net position of the Texas Municipal Retirement System (TMRS) and additions to/deductions from TMRS's fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's pension and OPEB liability is obtained from TMRS through reports prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company (GRS), in compliance with GASB No. 68 and No. 75.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

M. Fund Balance Policies

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that cannot be spent because of their form (such as inventory or prepaid items) or because they are legally or contractually required to be maintained in tact;
- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government) through constitutional provisions or by enabling legislation;
- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority, to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level of action to remove or change the constraint;
- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;
- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the General Fund.

Fund balance classifications depict the nature of the net resources that are reported in a governmental fund. An individual governmental fund may include non-spendable resources and amounts that are restricted, committed, assigned, or any combination of those classifications. In addition, the General Fund may also include an unassigned amount.

Commitments will only be used for specific purposes pursuant to a formal action (ordinance) of the City Council. The action to commit funds must occur prior to fiscal year-end, to report such commitments in the balance sheet of the respective period, even though the amount may be determined subsequent to fiscal year-end. Commitments may be changed or lifted only by the City Council taking the same formal action that originally imposed the constraint.

The City Council delegates the responsibility to assign funds not to exceed $25,000 to the City Manager or their designee to be used for specific purposes. City Council shall have the authority to assign any amount of funds to be used for specific purposes. Such assignments cannot exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. The assignments may occur subsequent to fiscal year-end.

N. Net Position Flow Assumptions

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the City to consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the City that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (Continued)

O. Minimum Fund Balance Policy

The City will maintain a minimum fund balance in its General Fund equal to 180 days of the operating expenditures and a policy to maintain an unassigned fund balance of no less than 120 days of operating expenditures as to provide operating liquidity and contingency funding for non-specific unscheduled expenditures such as natural disasters or major unexpected expenditures. In the event that the unassigned fund balance is calculated to be less than the policy stipulates, the City shall plan to adjust budget resources in subsequent fiscal years to restore the balance.

The City also has a goal to maintain a working capital position equal to 120 days of the operating budget and a policy to maintain a working capital position no less than 90 days of the operating budget in the enterprise funds. Refer to Note 11 which addresses the policy set by the Council for the enterprise funds.

P. Use of Estimates

The preparation of the government-wide and fund financial statements in conformity with generally accepted accounting principles requires the City to make estimates and assessments that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenditures during the reporting period. Accordingly, actual results could differ from those estimates.

NOTE 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Compliance

Budgetary compliance is monitored at the departmental level in the funds. For the year ended September 30, 2021, the City complied with budgetary restrictions at all departmental levels except for the following:

Fund Name-Department	Final Budget	Actual	Negative Variance
General Fund			
Human resources	$ 22,075	$ 35,348	$ 13,273
Finance	264,902	279,051	14,149
Fire	1,423,695	1,426,592	2,897
Debt service	-	17,314	17,314

These over expenditures were funded by available fund balances in the respective funds.

Deficit Fund Equity

As of September 30, 2021, the Hurricane Harvey Fund (a major Special Revenue Fund) had a deficit fund equity balance of $1,289,737. The Bulletproof Vest Grant Fund (a nonmajor Special Revenue Fund) also had a deficit fund equity balance of $6,463. These deficits will be eliminated in the 2022 fiscal year.

NOTE 3: DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract pursuant to the Texas Public Funds Investment Act. The depository bank pledges securities which comply with state law and these securities are held for safekeeping and trust with the City's and the depository bank's agent bank. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of FDIC insurance.

As of September 30, 2021, the City had the following investments classified as cash and cash equivalents:

Investment Type	Amortized Cost	Weighted Average Maturity (Days)
Public Funds Investment Pool		
LOGIC	$ 13,937,068	55

Following the criteria for GASB Statement No. 79, Certain External Investment Pools and Pool Participants, LOGIC uses amortized cost to value portfolio assets. The investment pool operates in a manner consistent with the Securities and Exchange Commission's (SEC) Rule 2(a)(7) of the Investment Company Act of 1940 but is not registered with the SEC as an investment company. Instead, the regulatory oversight for the pool is the State of Texas. The investment pool transacts at a net asset value of $1.00 per share and is classified as cash and cash equivalents for reporting purposes.

Interest Rate Risk

In accordance with the City's investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to less than one year from the time of purchase. LOGIC weighted average maturities cannot exceed 60 days.

Credit Risk

The investment pools operate in full compliance with the Public Funds Investment Act. LOGIC is rated AAAm by S&P Global.

Concentration of Credit Risk

The City's investment policy requires that the investment portfolio shall be diversified in terms of investment instruments, maturity scheduling, and financial institutions to reduce the risk of loss resulting from over concentration of assets in a specific class of investments, specific maturity, or specific user. At year-end, the City was not exposed to concentration of credit risk.

Custodial Credit Risk - Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires that deposits at financial institutions be insured by the FDIC and/or collateralized by securities pledged to the City by the depository in an amount equal to at least 110% of the carrying value of deposits held. During the fiscal year and at year-end, all deposits held in the depository bank were fully collateralized and therefore the City was not exposed to custodial credit risk.

Custodial Credit Risk - Investments

For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All of the City's investments are invested in LOGIC and have no custodial credit risk.

NOTE 4: RECEIVABLES

Receivables as of year-end for the City's individual major and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Public Utility	Port Revenue	Beach Operating	Nonmajor Funds	Total
Receivables:						
Ad valorem taxes	$ 624,287	$ -	$ -	$ -	$ 29,752	$ 654,039
Franchise taxes	82,488	-	-	-	-	82,488
Municipal court fines	140,006	-	-	-	-	140,006
Charges for services	171,833	793,638	62,457	-	-	1,027,928
Occupancy taxes	-	-	-	-	70,148	70,148
Miscellaneous	1,230	433	2,500	451	-	4,614
Gross receivables	1,019,844	794,071	64,957	451	99,900	1,979,223
Less: Allowance for uncollectibles	(367,526)	(157,447)	(14,575)	-	(1,488)	(541,036)
Net total receivables	$ 652,318	$ 636,624	$ 50,382	$ 451	$ 98,412	$ 1,438,187

The City is permitted by a local charter to levy taxes up to limits set by the Constitution and laws of the State of Texas. Currently, the State of Texas does not set limits on the rate at which ad valorem taxes may be assessed. The combined tax rate for the year ended September 30, 2021, was $0.7944 per $100 of assessed valuation. Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and payable by the following January 31, which comprises the collection dates for the current tax roll. The Calhoun County Appraisal District bills, collects, and remits daily all ad valorem taxes.

The City's governmental funds report unavailable revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. The governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
General Fund			
Ad valorem taxes	$ 488,413	$ -	$ 488,413
Charges for services	17,183	67,916	85,099
Municipal court fines	63,003	-	63,003
Hurricane Harvey Fund			
Grant reimbursements	237,345	-	237,345
ARPA/CLFRF Grant			
Grant reimbursements	-	1,468,627	1,468,627
Nonmajor Funds			
Ad valorem taxes	28,264	-	28,264
Grant reimbursements	6,463	-	6,463
	$ 840,671	$ 1,536,543	$ 2,377,214

NOTE 5: DUE FROM OTHER GOVERNMENTS

Various funds of the City reported amounts due from other governments as of the end of the current fiscal year. These amounts are comprised of the following at September 30, 2021:

	General Fund	Hurricane Harvey	Public Utility	Port Revenue	Nonmajor Funds	Total
Sales taxes	$ 636,840	$ -	$ -	$ -	$ -	$ 636,840
Mixed beverage taxes	5,959	-	-	-	-	5,959
Property taxes	1,663	-	-	-	-	1,663
Grant reimbursements	-	1,049,113	229,427	120,000	6,463	1,405,003
	$ 644,462	$ 1,049,113	$ 229,427	$ 120,000	$ 6,463	$ 2,049,465

NOTE 6: CAPITAL ASSETS

The capital asset activity of the City was as follows for the year ended September 30, 2021:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 1,844,144	$ -	$ -	$ 1,844,144
Construction in progress	4,358,662	2,113,391	(4,277,333)	2,194,720
Total capital assets not being depreciated	6,202,806	2,113,391	(4,277,333)	4,038,864
Capital assets, being depreciated:				
Machinery and equipment	3,874,121	393,509	(88,894)	4,178,736
Buildings and structures	8,283,362	1,378,807	-	9,662,169
Infrastructure	33,039,649	3,250,661	-	36,290,310
Total capital assets being depreciated	45,197,132	5,022,977	(88,894)	50,131,215
Less accumulated depreciation for:				
Machinery and equipment	(3,014,852)	(230,364)	88,894	(3,156,322)
Buildings and structures	(4,054,510)	(301,166)	-	(4,355,676)
Infrastructure	(16,419,185)	(547,439)	-	(16,966,624)
Total accumulated depreciation	(23,488,547)	(1,078,969)	88,894	(24,478,622)
Total capital assets being depreciated, net	21,708,585	3,944,008	-	25,652,593
Governmental activities capital assets, net	$ 27,911,391	$ 6,057,399	$ (4,277,333)	$ 29,691,457

NOTE 6: CAPITAL ASSETS - (Continued)

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 2,316,718	$ -	$ -	$ 2,316,718
Construction in progress	3,520,313	3,674,362	(6,211,875)	982,800
Total capital assets not being depreciated	5,837,031	3,674,362	(6,211,875)	3,299,518
Capital assets, being depreciated:				
Machinery and equipment	1,274,877	48,052	(8,300)	1,314,629
Buildings and structures	5,716,807	242,900	-	5,959,707
Infrastructure	44,141,049	7,141,540	-	51,282,589
Total capital assets being depreciated	51,132,733	7,432,492	(8,300)	58,556,925
Less accumulated depreciation for:				
Machinery and equipment	(724,847)	(79,419)	8,300	(795,966)
Buildings and structures	(3,650,676)	(171,635)	-	(3,822,311)
Infrastructure	(24,709,271)	(1,196,712)	-	(25,905,983)
Total accumulated depreciation	(29,084,794)	(1,447,766)	8,300	(30,524,260)
Total capital assets being depreciated, net	22,047,939	5,984,726	-	28,032,665
Business-type activities capital assets, net	$ 27,884,970	$ 9,659,088	$ (6,211,875)	$ 31,332,183

Depreciation expense was charged to functions/programs of the City as follows:

Governmental activities:	
General government	$ 108,316
Public safety	169,733
Public works	592,132
Parks and recreation	208,788
Total depreciation expense - governmental activities	$ 1,078,969
Business-type activities:	
Public Utility	$ 1,072,306
Port Revenue	230,081
Beach Operating	145,379
Total depreciation expense - business-type activities	$ 1,447,766

NOTE 7: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

A. Interfund Receivables and Payables

At times during the fiscal year the various funds of the City were involved in transactions that created interfund receivable and payable balances. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Interfund receivable and payable balances as of September 30, 2021, were as follows:

Receivable Fund	Payable Fund	Amount
General	Hurricane Harvey Fund	$ 1,968,488
	Nonmajor Special Revenue	6,463
		$ 1,974,951

B. Interfund Transfers

Each year various funds of the City transfer funds to other funds. These transactions related to such things as the purchase of goods by one fund on behalf of another and the receipt of revenue in one fund that belongs to or is designated for another fund. Other than these ordinary transfers, the most significant transfer was from the General Fund to the Street Construction for fiscal year 2021 construction costs. During the current fiscal year, transfers between funds consisted of the following:

	Transfers In				
	General	Street Construction	Beach Operating	Nonmajor	Total
Transfers out					
General	$ -	$ 2,439,000	$ 728,108	$ 37,930	$ 3,205,038
Public Utility	238,775	-	-	-	238,775
Port Revenue	35,583	-	-	-	35,583
Beach Operating	10,310	-	-	-	10,310
Nonmajor	277,142	-	-	-	277,142
	$ 561,810	$ 2,439,000	$ 728,108	$ 37,930	$ 3,766,848

NOTE 8: LESSOR AGREEMENTS

The Port Revenue Fund leases dock frontage and harbor rights to various unrelated third parties. Substantially all of the Fund's capital assets are leased to third parties. Following is an analysis of minimum future rentals due the Port Revenue Fund under noncancelable lease agreements as of September 30, 2021:

Year Ending September 30	
2022	$ 505,439
2023	290,990
2024	207,536
2025	189,538
2026	138,697
	1,332,200
Thereafter	1,458,291
	$ 2,790,491

NOTE 9: LONG-TERM DEBT

A. Changes in Long-term Liabilities

Long-term liability activity for the year ended September 30, 2021, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
Bonds payable:					
General obligation bonds	$ 1,005,000	$ -	$ 305,000	$ 700,000	$ 320,000
Net bonds payable	1,005,000	-	305,000	700,000	320,000
Direct borrowing -					
Loan payable	187,825	-	12,655	175,170	19,729
Compensated absences	141,831	195,637	199,686	137,782	45,468
OPEB liability	272,872	50,006	-	322,878	-
Net pension liability	334,461	-	71,514	262,947	-
Total governmental activity long-term liabilities	$ 1,941,989	$ 245,643	$ 588,855	$ 1,598,777	$ 385,197
Business-type activities					
Bonds and certificates payable:					
Revenue bonds	$ 1,750,000	$ -	$ 770,000	$ 980,000	$ 780,000
Certificates	2,270,000	-	170,000	2,100,000	175,000
Plus deferred amounts:					
Issuance premiums	94,717	-	5,056	89,661	-
Net bonds and certificates	4,114,717	-	945,056	3,169,661	955,000
Compensated absences	13,167	24,419	22,012	15,574	5,139
OPEB liability	30,319	5,556	-	35,875	-
Net pension liability	37,163	-	7,946	29,217	-
Total business-type activity long-term liabilities	$ 4,195,366	$ 29,975	$ 975,014	$ 3,250,327	$ 960,139

Compensated absences, the net pension liability, and the OPEB liability are generally liquidated by the General Fund for the governmental activities.

NOTE 9: LONG-TERM DEBT - (Continued)

B. General Obligation Bonds

The City issues general obligation debt to provide funds for the acquisition and construction of major capital facilities and are direct obligations and pledge the full faith and credit of the City.

General obligation bonds at September 30, 2021, was comprised of the following individual issue:

$2,945,000 Series 2012 General Obligation Refunding Bonds due in annual installments ranging from $300,000 to $320,000 through February 15, 2024; interest fixed at 2.03%.	$ 700,000
Total Bonds	$ 700,000

Annual debt service requirements to maturity for the City's general obligation bonds are as follows:

Year Ending	Governmental Activities		
September 30	Principal	Interest	Total
2022	$ 320,000	$ 10,962	$ 330,962
2023	320,000	4,466	324,466
2024	60,000	609	60,609
	$ 700,000	$ 16,037	$ 716,037

C. Revenue Bonds and Certificates

Revenue bonds and certificates payable were comprised of the following individual issues at September 30, 2021:

$3,810,000 Series 2016 General Obligation Refunding Bonds due in annual installments ranging from $100,000 to $780,000 through February 15, 2024; interest rates varying between 1.10% and 2.05%.	$ 980,000
$1,700,000 Series 2008 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from $85,000 to $125,000 through Feburary 15, 2028; interest rate of 3.93%.	770,000
$1,475,000 Series 2018 Combination Tax and Surplus Harbor System Revenue Certificates of Obligation due in annual installments ranging from $70,000 to $125,000 through Feburary 15, 2034; interest rates varying between 3.50% and 5.00%.	1,330,000
Total Revenue Bonds and Certificates	$ 3,080,000

NOTE 9: LONG-TERM DEBT - (Continued)

C. Revenue Bonds and Certificates - (Continued)

The annual debt service requirements to maturity for the above listed revenue bonds and certificates are as follows:

Year Ending September 30	Business-type Activities		
	Principal	Interest	Total
2022	$ 955,000	$ 93,730	$ 1,048,730
2023	280,000	77,914	357,914
2024	290,000	68,585	358,585
2025	200,000	59,836	259,836
2026	210,000	51,239	261,239
2027-2031	775,000	133,992	908,992
2032-2034	370,000	19,601	389,601
	$ 3,080,000	$ 504,897	$ 3,584,897

The City has pledged future water customer revenues, net of specified operating expenses to repay $980,000 in utility system debt. Proceeds from the bonds provided financing for improvements to the City's utility system. The bonds are payable through 2024. Average annual principal and interest payments on the bonds ($331,820) are expected to require approximately 25 percent of net revenues. Principal and interest paid for the current year and total net revenues were $795,635 and $324,873, respectively. The total principal and interest remaining to be paid on the bonds is $995,460.

The City complied in all material respects with the various covenants applicable to its long-term debt agreements for the year ending September 30, 2021.

D. Loan Payable

Loans payable (direct borrowing) at September 30, 2021, was comprised of the following:

$187,825 loan agreement with the Texas Comptroller of Public Accounts, through its State Energy Conservation Office, due in quarterly installments of $5,771 through November 2030; interest fixed at 2.00%.	$ 175,170
Total Loans	$ 175,170

The City entered into the loan in order to finance the City's projects for various energy savings measures for City buildings and facilities. Annual debt service requirements to maturity for the City's loan payable are as follows:

Year Ending September 30	Governmental Activities		
	Principal	Interest	Total
2022	$ 19,729	$ 3,356	$ 23,085
2023	20,127	2,959	23,086
2024	20,533	2,553	23,086
2025	20,946	2,139	23,085
2026	21,368	1,717	23,085
2027-2030	72,467	2,561	75,028
	$ 175,170	$ 15,285	$ 190,455

NOTE 10: PRIOR YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain revenue and refunding bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2021, $2,335,000 of bonds outstanding was considered defeased.

NOTE 11: PROPRIETARY FUND NET POSITION

Management has committed for operating reserves $1,617,012 of the Public Utility Fund's $3,701,342 unrestricted net position. Management has also committed $226,960 of the Port Revenue Fund's $1,014,988 unrestricted net position for operating reserves and $58,350 of the Beach Operating Fund's $788,453 unrestricted net position for operating reserves. The committed amounts represent approximately 90 days of operating expenses, including interest expense and transfers to other funds. The Public Utility Fund, the Port Revenue Fund, and the Beach Operating Fund had $2,084,330, $788,028, and $730,103, respectively, of unrestricted, uncommitted net position as of September 30, 2021.

NOTE 12: RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended September 30, 2020, the City purchased insurance through the Texas Municipal League (TML) to cover its risk of loss in these areas. Substantially all risk of loss for events occurring during the current year has been transferred to TML by the payment of insurance premiums. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City has also entered into an interlocal agreement with the Texas Municipal League Intergovernmental Employees Benefit Pool for health benefits coverage for its employees. The City pays $502.82 or approximately 86% of the premiums for full-time employees. Dependent coverage is available at additional premiums paid by the employee and the City.

NOTE 13: CONTINGENCIES AND COMMITMENTS

A. Litigation

Various claims and lawsuits are pending against the City. In the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially affect the City's financial position.

B. Grant Programs

The City participates in grant programs that are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any monies received may be required, and the collectability of any related receivables at September 30, 2021, may be impaired. In the opinion of the administration of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the City's various grant programs.

NOTE 13: CONTINGENCIES AND COMMITMENTS - (Continued)

C. Water Purchase Commitment

The City has entered into an agreement with the Guadalupe Blanco River Authority (GBRA) that obligates the City to purchase its water from GBRA; this contract shall be in force until the latter of August 2035 or until the City has paid the part of any outstanding plant revenue bonds for which the City is at least partially responsible.

D. Construction Commitments

As of September 30, 2021, the City had entered into contractual commitments with contractors for various City projects. The costs incurred to date and estimated remaining costs were as follows:

Project Description	Costs Incurred To Date	Estimated Remaining Costs	Source of Funds
Governmental activities:			
Street/drainage improvements	$ 1,407,654	$ 1,002,344	City
Ezzel Street reconstruction	134,568	645,432	City
George Street reconstruction	85,500	794,500	City
Ditch rehabilitation	29,000	421,000	City
Park improvements	389,907	110,093	City/Grant
Veterans' memorial	87,571	-	City/Contributions
Skate park	30,350	119,650	City
City Hall master plan	5,558	44,443	City
Police Department reroof	13,183	186,817	City
Train Depot renovation	7,000	73,000	City
Fire truck	4,429	771,766	City
	$ 2,194,720	$ 4,169,045	
Business-type activities:			
Water and sewer improvements	$ 503,467	$ 621,533	City
City harbor upper dock	43,690	-	City
Firehydrant replacement	123,436	-	City
Generators for lift stations	258,546	595,944	City/Grant
Nautical Landings breakwater	10,000	-	City
Nautical Landings building	13,461	66,539	City
Living shoreline	30,200	13,469,800	City/Grant
	$ 982,800	$ 14,753,816	

NOTE 14: DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

Benefits Provided

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

At retirement, the member's benefit is calculated as if the sum of the member's contributions, with interest, and the City-financed monetary credits with interest. The retiring member may select one of seven monthly benefit payment options. 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 lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions of the City for plan year 2021 were as follows:

Employee deposit rate	5.0%
Matching ratio (City to employee)	1.5 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age/years of service)	60/5, 0/25
Updated service credit	100% - transfers; 2003 - Auto Readoption
COLA (for retirees)	70%; 2003 - Auto Readoption
Military service credit	Not elected
Restricted prior service credit	Not elected
Buy back last adopted	Not elected

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

Inactive employees or beneficiaries currently receiving benefits	69
Inactive employees entitled to but not yet receiving benefits	132
Active employees	89
	290

NOTE 14: DEFINED BENEFIT PENSION PLAN - (Continued)

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.

Employees for the City were required to contribute 5.00% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.89% and 5.76% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were $253,961, and were equal to the required contributions.

Net Pension Liability

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

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

Inflation	2.5% per year
Overall Payroll Growth	2.75% per year, adjusted down for population declines, if any
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees 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 through December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

NOTE 14: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (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).

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%
Total	100.00%	

NOTE 14: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

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.

		Increase (Decrease)	
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	$ 11,832,782	$ 11,461,157	$ 371,625
Changes for the year:			
Service cost	378,215	-	378,215
Interest	789,013	-	789,013
Changes of benefit terms	-	-	-
Difference between expected and actual experience	44,412	-	44,412
Change of assumptions	-	-	-
Contributions - Employer	-	231,808	(231,808)
Contributions - Employee	-	196,782	(196,782)
Net investment income	-	868,360	(868,360)
Benefit payments, including refunds of employee contributions	(665,615)	(665,615)	-
Administrative expense	-	(5,629)	5,629
Other changes	-	(220)	220
Net changes	546,025	625,486	(79,461)
Balance at 12/31/2020	$ 12,378,807	$ 12,086,643	$ 292,164

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

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

	1.0% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1.0% Increase in Discount Rate (7.75%)
City's Net Pension Liability:	$2,089,317	$292,164	$(1,152,824)

NOTE 14: DEFINED BENEFIT PENSION PLAN - (Continued)

Net Pension Liability - (Continued)

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

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

For the year ended September 30, 2021 the City recognized pension expense of $27,945.

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 26,135	$ 26,012
Changes in actuarial assumptions	73	-
Difference between projected and actual investment earnings	-	319,580
Contributions subsequent to the measurement date	187,091	-
Total	$ 213,299	$ 345,592

$187,091 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2021 (i.e. recognized in the City's financial statements for the year ending September 30, 2022). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2021	$ (129,968)
2022	24,370
2023	(194,840)
2024	(18,948)
2025	-
Thereafter	-
Total	$ (319,386)

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB)

Plan Description and Benefits Provided

TMRS administers an optional death benefit plan known as the Supplemental Death Benefits Fund (SDBF), which operates like a group-term life insurance plan. This voluntary program allows participating cities to provide supplemental death benefits for their active members, with optional coverage for their retirees. A City may terminate coverage in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The SDBF had 777 participating cities on December 31, 2020.

Benefits payable from SDBF become due after the death of a covered active member or retiree and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active members provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the member's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded, single-employer OPEB plan (i.e. no assets are accumulated).

Membership

At the December 31, 2020 valuation and measurement date, the following is the number of members in the plan:

Inactive employees currently receiving benefits	42
Inactive employees entitled to but not yet receiving benefits	15
Active employees	89
Total	146

Contributions

Contributions to the SDBF are made monthly based on the payroll of covered members of the cities participating in the SDBF. The required contribution rate is actuarially determined annually for each City participating in the SDBF. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the City. There is a one-year delay between the actuarial valuation that serves as the basis for the City's contribution rate and the calendar year when the rate goes into effect. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retired term life insurance during employees' entire careers. Therefore, there are no assets that are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits. The SDBF is considered an unfunded OPEB plan and benefit payments made by the City are treated as being equal to the City's yearly contribution for retirees.

The City's contribution rates for the program are as follows:

Plan/Calendar Year	Total SDB Contribution (Rate)	Retiree Portion of SDB Contribution (Rate)
2017	0.23%	0.07%
2018	0.22%	0.08%
2019	0.24%	0.08%
2020	0.25%	0.10%
2021	0.41%	0.30%

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability

The City's total OPEB liability and the OPEB expense is recognized on the City's financial statements. The OPEB expense recognized each fiscal year is equal to the change in the total OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability.

Actuarial Assumptions

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

Inflation	2.5%
Salary increases	3.5% to 11.5 % including inflation
Discount rate	2.00 %*
Retirees' share of benefit-related costs	$0
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.

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

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Changes in Total OPEB Liability
The following details the changes in the Total OPEB liability:

Balance at 12/31/19	$	303,191
Changes for the year:		
Service cost		20,072
Interest		8,560
Change of benefit terms		-
Difference between expected and actual experience		(13,467)
Change of assumptions		44,333
Benefit payments		(3,936)
Net changes		55,562
Balance at 12/31/20	$	358,753

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

	1.0% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1.0% Increase in Discount Rate (3.00%)
City's Total OPEB Liability:	$434,539	$358,753	$301,510

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

For the year ended September 30, 2021, the City recognized OPEB expense of $42,065.

At 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 experience	$ 805	$ 17,313
Changes in actuarial assumptions	69,794	7,824
Contributions subsequent to the measurement date	9,742	-
Total	$ 80,341	$ 25,137

NOTE 15: SUPPLEMENTAL DEATH BENEFIT PLAN (OPEB) - (Continued)

Total OPEB Liability - (Continued)

Deferred outflows and inflows of resources to be recognized in future OPEB expense (excluding City contributions subsequent to the measurement date) are as follows:

Year ended December 31:	OPEB Expense Amount
2021	$ 13,433
2022	12,784
2023	10,873
2024	8,369
2025	-
Thereafter	-
Total	$ 45,459

NOTE 16: VOLUNTEER FIREFIGHTERS' PENSION BENEFIT PLAN

The City provides a pension benefit for all retired volunteer firemen who qualify under the provisions of the Texas Local Fire Fighters Retirement Act. To be eligible, individuals must have completed at least 20 years of service and be at least 55 years old. Quarterly payments of $75 are made to qualifying individuals until their death, at which time the surviving spouse, if any, is entitled to receive payments of $50 per quarter until death. As of September 30, 2021, there were 7 individuals receiving benefits under the plan. Benefit payments for the year totaled $1,725.

An actuarial study has not been performed to determine the City's accrued liability related to this benefit plan. Management estimates that the unfunded liability for vested benefits was between $40,000 and $50,000 as of September 30, 2021.

NOTE 17: DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all City employees, permits the deferral of a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

The assets of this plan, which totaled $764,817 as of September 30, 2021, are held in trust for the exclusive benefit of participants and their beneficiaries. As such, no amounts related to these assets are included in the accompanying financial statements.

NOTE 18: FUND BALANCES

The following is a detail of the governmental fund balances as of September 30, 2021:

	Nonspendable	Restricted	Committed	Unassigned	Total
General					
Prepaid items	$ 536,126	$ -	$ -	$ -	$ 536,126
Operating reserves	-	-	2,733,317	-	2,733,317
Capital asset replacement	-	-	230,364	-	230,364
Unassigned	-	-	-	9,368,362	9,368,362
Hurricane Harvey					
Unassigned	-	-	-	(1,289,737)	(1,289,737)
Street Construction					
Various capital projects	-	1,582,459	-	-	1,582,459
Nonmajor Governmental					
Retirement of long-term debt	-	176,757	-	-	176,757
Tourism and conventions	-	799,473	-	-	799,473
Economic development	-	31,558	-	-	31,558
Public safety	-	16,634	-	-	16,634
Municipal court	-	61,377	-	-	61,377
Unassigned	-	-	-	(6,463)	(6,463)
	$ 536,126	$ 2,668,258	$ 2,963,681	$ 8,072,162	$ 14,240,227

NOTE 19: RESTATEMENT OF PREVIOUSLY ISSUED FINANCIAL STATEMENTS

In fiscal year 2021, the City implemented GASB Statement No. 84 (GASB 84), *Fiduciary Activities*. The objective of GASB 84 is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The focus of the criteria for identifying fiduciary activities generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. GASB 84 also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. The effect on the City implementing GASB 84 was the establishment of the Police Seized Nonforfeiture Fund as a Custodial Fund, previously reported as an Agency Fund, and the reporting of a beginning net position balance of $27,075 for this fund.

NOTE 20: SUBSEQUENT EVENTS

On January 13, 2021, the City entered into a lease purchase agreement for the purchase of a Pierce Enforcer Pumper fire truck. The total purchase price of the truck was $772,386 and a down payment of $400,000 was made in January 2021. This payment is reported as a deposit on the governmental fund statements and the government-wide statements for governmental activities. The amount financed through the Government Capital Corporation was $372,386 and will be paid in three annual installments of $129,756 beginning in December 2021 at an interest rate of 2.25%. The amount financed will be recorded as long-term debt in fiscal year 2022 on the government-wide statements.

On November 8, 2021, the City entered into a lease purchase agreement with Government Capital Corporation for utility meter replacements. The amount of the lease was $2,400,000 and will be paid in five annual installments of $512,495 beginning in December 2022 at an interest rate of 2.224%.

APPENDIX D

The information contained in Appendix D consists of the Form of Legal Opinion of Bond Counsel

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Bickerstaff
Heath Delgado Acosta LLP

$7,335,000
CITY OF PORT LAVACA, TEXAS
COMBINATION TAX AND REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2022

WE HAVE ACTED AS BOND COUNSEL in connection with the issuance by the City of Port Lavaca, Texas (the “City”) of its $7,335,000 aggregate original principal amount of Combination Tax and Revenue Certificates of Obligation, Series 2022, dated September 1, 2022 (the “Certificates”).

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

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

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

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

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

pledge, not to exceed $1,000, of the Surplus Revenues of the City's Waterworks and Sewer System, as provided in the Ordinance.

3. Under existing statutes, regulations, rulings and court decisions, interest on the Certificates will not be includible in the gross income of the holders thereof for federal income tax purposes assuming continuing compliance by the City with the requirements of the Code. Interest on the Certificates is not subject to the alternative minimum tax imposed on individuals under the Code. For purposes of the 15% federal minimum tax that is imposed on "applicable corporations" (as defined in the 2022 Inflation Reduction Act (the "2022 Act")) for taxable years beginning after December 31, 2022, interest on the Certificates will be taken into account in determining "adjusted financial statement income" (as defined in the 2022 Act).

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

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

Respectfully,

RBC Capital Markets