NEW ISSUE-BOOK-ENTRY-ONLY

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

Dated: April 11, 2023

In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.

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

CITY OF LACY LAKEVIEW, TEXAS

(A municipal corporation and political subdivision of the State of Texas located in McLennan County)

$2,410,000
Combination Tax and Revenue Certificates of Obligation, Series 2023

Dated Date: May 1, 2023 **Due: August 15, as shown on page ii**

The City of Lacy Lakeview, Texas (the "City" or "Issuer") $2,410,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended, and an ordinance adopted by the City Council on April 11, 2023 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a limited pledge (not to exceed $1,000 of the surplus net revenues, from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES - Security for Payment" herein.)

Interest on the Certificates will accrue from May 1, 2023 (the "Dated Date"), will be payable February 15 and August 15 of each year, commencing February 15, 2024, until 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 (the "Securities Depository"). Book-entry interests in the Certificates, within a stated maturity, will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by U.S. Bank Trust Company, National Association, Dallas, Texas, as Paying Agent/Registrar, to the Securities Depository, which will in turn remit such principal and interest to its participating members, 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 (i) constructing and improving sewer system improvements, consisting of a new lift station and wastewater lines, (ii) constructing and improving streets and roads, and (iii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" herein.)

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on August 15 in the years 2034, 2036, 2039 and 2043 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES - Redemption" herein.)

MATURITY SCHEDULE

(See Page ii)

The Certificates are offered for delivery when, as and if received by the Underwriter, subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. Certain matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. It is expected that the Certificates will be available for delivery through DTC on or about May 5, 2023.

SAMCO CAPITAL

$2,410,000
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

MATURITY SCHEDULE
(Due August 15)

Base CUSIP Number: 505690[(1)]

$795,000 Serial Certificates

Stated Maturity	Principal Amount	Interest Rate (%)	Initial Yield (%)	CUSIP Suffix (1)
2024	$ 45,000	5.000%	2.990%	DK0
2025	80,000	5.000%	2.860%	DL8
2026	85,000	5.000%	2.740%	DM6
2027	85,000	5.000%	2.690%	DN4
2028	90,000	5.000%	2.680%	DP9
2029	95,000	5.000%	2.660%	DQ7
2030	100,000	5.000%	2.650%	DR5
2031	105,000	5.000%	2.710%	DS3
2032	110,000	5.000%	2.730%	DT1

$235,000 5.000% Term Certificates Due August 15, 2034 to yield 2.840% (2)(3) DV6

$265,000 5.000% Term Certificates Due August 15, 2036 to yield 3.150% (2)(3) DX2

$440,000 4.000% Term Certificates Due August 15, 2039 to yield 3.760% (2)(3) EA1

$675,000 4.000% Term Certificates Due August 15, 2043 to yield 4.000% (2)(3) EE3

(Interest to accrue from the Dated Date)

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

(2) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 2034, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. Additionally, the Certificates maturing on August 15 in the years 2034, 2036, 2039 and 2043 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See “THE CERTIFICATES - Redemption” herein.)

(3) Yield shown to first optional redemption date of August 15, 2032.

CITY OF LACY LAKEVIEW, TEXAS
501 East Craven Ave
Lacy Lakeview, Texas 76705
(254) 799-2458

ELECTED OFFICIALS

Name	Title	First Elected	Term Expires	Occupation
Sharon Clark	Mayor	Jun-19	Jun-23	Retired
Bruce Bundrant	Council Member	Jun-19	Jun-23	Retired
Richard Lednicky	Council Member	Jun-20	Jun-24	EMT/911 Dispatch
Niecy Payne	Council Member	Jun-21	Jun-23	Pastor/Teacher
Barbara Seitz	Council Member	Jun-18	Jun-23	Financial Advisor
Robert Pisek	Mayor Pro-Team	Jun-19	Jun-23	Retired
Charles Wilson	Council Member	Jun-20	Jun-24	Sales Manager

ADMINISTRATION

Name	Position	Years of Service with City	Total Years of Service
Calvin Hodde	City Manager	21	26
Amber Fuller	Finance Director	1	13
Laurie Kaczmarek	City Secretary	9 mo.	10

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton L.L.P., Dallas, TX
Financial Advisor	Hilltop Securities, Inc., Dallas, TX
Certified Public Accountants	Jaynes Reitmeier Boyd & Therrell, P.C. Waco, TX

For Additional Information Please Contact:

Calvin Hodde
City Manager
City of Lacy Lakeview
501 East Craven Ave
Lacy Lakeview, Texas 76705
(254) 799-2458
calvin.hodde@lacylakeview.org

John L. Martin, Jr.
Michael P. Martin
Hilltop Securities, Inc.
717 N. Harwood Street, Suite 3400
Dallas, Texas 75201
(214) 953-4000
john.martin@hilltopsecurites.com
michael.martin@hilltopsecurities.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness of such information. Any information and expressions of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

THE COVER PAGE CONTAINS CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND IS NOT INTENDED AS A SUMMARY OF THIS OFFERING. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

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

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

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

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

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

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

TABLE OF CONTENTS

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

SELECTED DATA FROM THE OFFICIAL STATEMENT

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

The Issuer	The City of Lacy Lakeview, Texas (the "City" or "Issuer"), is located in McLennan County. The city is a political subdivision of the State of Texas (the "State") and a home rule municipal corporation organized and existing under the laws of the State and the City's home rule chapter.
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank Trust Company, National Association, Dallas, Texas.
Security	The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a limited pledge (not to exceed $1,000) of the surplus net revenues, from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "THE CERTIFICATES – Security for Payment" and "AD VALOREM TAX PROCEDURES – Debt Tax Rate Limitation" herein).
Redemption Provisions	The Certificates maturing on and after August 15, 2034, are subject to redemption prior to their stated maturity at the option of the City on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof within a maturity, at the redemption price of par plus accrued interest. Additionally, the Certificates maturing on August 15 of 2034, 2036, 2039 and 2043 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE CERTIFICATES – Redemption Provisions" herein.)
Tax Exemption	In the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under "Tax Matters" herein, including the alternative minimum tax on certain corporations.
Use of Proceeds	Proceeds from the sale of the Certificates will be used for (i) constructing and improving sewer system improvements, consisting of a new lift station and wastewater lines, (ii) constructing and improving streets and roads, and (iii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith. (See "THE CERTIFICATES – Use of Certificate Proceeds" and "Sources and Uses of Funds" herein.)
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company ("DTC"), New York, New York described herein. No physical delivery of the Certificates will be made to the beneficial owners of the Certificates. Such Book-Entry-Only System may affect the method and timing of payments on the Certificates and the manner the Certificates may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Ratings	S&P Global Ratings, a division of S&P Global Inc. ("S&P"), has assigned their credit rating of "AA-" to the Certificates. An explanation of the significance of any rating may be obtained from S&P Global Ratings. (See "OTHER PERTINENT INFORMATION-Ratings" herein.)
Qualified Tax-Exempt Obligations	The City will designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions" herein.)
Payment Record	The City has not defaulted in repayment of any of its bonded indebtedness.
Delivery	When issued, it is anticipated the Certificates will be available for delivery through DTC on or about May 5, 2023.
Legality	Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion by McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas in substantially the form attached hereto as Appendix C.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Lacy Lakeview, Texas (the "City" or "Issuer"), of its $2,410,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates").

The Issuer is a political subdivision and a Home Rule- municipality of the State of Texas (the "State") and operates under the statutes and the Constitution of the State of Texas including the City's adopted home rule charter. The Certificates are being issued pursuant to the laws of the State of Texas including particularly Texas Local Government Code, Subchapter C, Chapter 271, as amended and an ordinance adopted by the City Council on April 11, 2023 (referred to herein as the "Ordinance"). (See "THE CERTIFICATES - Authority for Issuance" herein.)

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

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the 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 a description of the City's undertaking to provide certain information on a continuing basis.

THE CERTIFICATES

General

The Certificates will be dated May 1, 2023 (the "Dated Date"). The Certificates are stated to mature on August 15 in the years and in the principal amounts set forth on page ii hereof. The Certificates shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year consisting of twelve 30-day months. Interest on the Certificates will be payable on February 15 and August 15 of each year commencing February 15, 2024, until maturity or prior redemption. Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar, initially U.S. Bank Trust Company, National Association, Dallas, Texas, (the "Paying Agent/Registrar") at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon prior redemption upon presentation to designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Authority for Issuance

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the Ordinance.

Security for Payment

The Certificates constitute direct obligations of the Issuer payable from an annual ad valorem tax levied against all taxable property in the City, within the limits prescribed by law, and are further secured by and payable from a limited pledge (not to exceed $1,000) of the surplus net revenues derived from the operation of the City's combined Waterworks and Sewer System (the "System"). (See "AD VALOREM TAX PROCEDURES" herein).

Tax Rate Limitation

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law, Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance. (See "{AD VALOREM TAX PROCEDURES-Tax Rate Limitations herein).

Redemption

Optional Redemption: The Certificates maturing on and after August 15, 2034 are subject to redemption prior to their stated maturity at the option of the City on August 15, 2032, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: In addition, the Certificates maturing on August 15 in the years 2034, 2036, 2039 and 2043 are subject to the mandatory sinking fund redemption provisions, as further described herein by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Certificates, as set forth in the following schedule:

Term Certificates Maturing August 15, 2034		
Year		Amount
2033		$ 115,000
2034	*	120,000

Term Certificates Maturing August 15, 2036		
Year		Amount
2035		$ 130,000
2036	*	135,000

Term Certificates Maturing August 15, 2039		
Year		Amount
2037		$ 140,000
2038		145,000
2039	*	155,000

Term Certificates Maturing August 15, 2043		
Year		Amount
2040		$ 160,000
2041		165,000
2042		170,000
2043	*	180,000

* Stated Maturity

The principal amount of Term Certificates of a stated maturity required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the Issuer, by the principal amount of any Term Certificates of the same maturity which, at least 50 days prior to a mandatory redemption date (1) shall have been acquired by the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the Issuer at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

Notice of Redemption: At least 30 days prior to the date fixed for any such redemption, the Issuer shall cause a written notice of such redemption to be deposited in the United States mail, first class postage prepaid, addressed to each registered owner of a Certificate to be redeemed at the address shown on the registration books of the Paying Agent/Registrar on the business day of mailing such notice. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAIL TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof, which are to be so redeemed. If such notice of redemption is given and if due provisions for such payment is made, all as provided above, the Certificates or portions thereof shall be deemed to be redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar from the funds provided for such payment.

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

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 DTC participant or indirect participant to notify the beneficial owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the Issuer will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the beneficial owners. Any such selection of Certificates to be redeemed will not be governed by the Ordinance and will not be conducted by the Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Limitation on Transfer or Exchange of Certificates

The Paying Agent/Registrar is not required to transfer or exchange any Certificate during the period commencing with the close of business on any Record Date immediately preceding a principal or interest payment date for such Certificates and ending with the opening of business on the next following such principal or interest payment date.

Use of Certificate Proceeds

Proceeds from the sale of the Certificates will be used for (i) constructing and improving sewer system improvements, consisting of a new lift station and wastewater lines, (ii) constructing and improving streets and roads, and (iii) paying fees for legal, fiscal, engineering, architectural and other professional services rendered in connection therewith.

Payment Record

The City has never defaulted in repayment of its bonded indebtedness.

Legality

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel. The form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the 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 insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. 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 (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. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Certificates.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to take any action amending the terms of the Certificates are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in clauses (a) – (c) in the first paragraph of this section above to be made with amounts deposited to defease the Certificates. Because the Ordinance specifically permits the use of other investments that may be permitted by future law, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Amendments to the Ordinance

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

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

Defaults and Remedies

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

The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders may not be able to bring such a suit against the city for breach of the Certificates or Ordinance covenants. 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.

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 holders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

Sources and Uses of Funds

The proceeds from the sale of the Certificates will be applied as follows:

Sources of Funds	Amount
Par Amount of Certificates:	$2,410,000.00
Premium:	183,700.90
Accrued Interest:	1,215.00
Total Sources of Funds	$2,594,915.90

Uses of Funds	
Deposit to Project Fund:	$2,500,000.00
Deposit to Debt Service Fund:	3,979.09
Costs of Issuance:	65,000.00
Underwriter's Discount:	25,936.81
Total Uses of Funds	$2,594,915.90

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

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

In the event the Book-Entry-Only System should be discontinued, interest on the Certificates will be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest will be paid (i) by check sent United States mail, first class postage prepaid to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the City where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment will be the next succeeding day which is not such a day, and payment on such date will have the same force and effect as if made on the date payment was due. So long as Cede & Co. is the registered owner of the Certificates, principal, interest and redemption payments on the Certificates will be made as described in "BOOK-ENTRY-ONLY SYSTEM" herein.

Record Date

The record date ("Record Date") for interest payable to the registered owner of a Certificate on any interest payment date means the last day of the month next preceding such interest payment date. (See "Special Record Date for Interest Payment" herein.)

Special Record Date for Interest Payment

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

Registration

The Certificates are initially to be issued utilizing the Book-Entry-Only System of DTC. In the event such Book-Entry-Only System should be discontinued, printed certificates will be delivered and thereafter, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A

Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner not more than three (3) business days after the receipt of the Certificate to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer will be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Certificates.)

Replacement Certificates

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Certificates is to be transferred and how the principal of, any premium, interest and redemption payments 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 Issuer, the Underwriter and the Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered certificate will be issued for each stated maturity of the Certificates, in the aggregate principal amount of each 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 certificated securities. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a rating of "AA+" from S&P Global Ratings. 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 Certificates ("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, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

Redemption notices for the Certificates 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 Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Certificates are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

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

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer and the Underwriter believes to be reliable, but neither the Issuer nor the Underwriter takes responsibility for the accuracy thereof.

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Certificates are in 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 Direct or Indirect 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.

INVESTMENT POLICIES

Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently include (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations 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 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 its successor, or the National Credit Union Share Insurance Fund or its successor; (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, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (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 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 (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (the "PFIA") that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) above, clause (12) below, 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) 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; (12) commercial paper with a stated maturity of 365 days or less that is rated at least "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States SEC 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 comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is 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, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract and are pledged to the City and deposited with the City or a third party selected and approved by the City.

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

Political subdivisions such as the City are authorized to implement securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through

(14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

Under State 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) State 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 City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the entity's entire portfolio, requires an interpretation of subjective investment standards or 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) in conjunction with its annual financial audit, perform a compliance 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.

Current Investments

As of February 28, 2023, the City had investments totaling $1,583,983.66. These funds are all invested in TexPool local government investment pool.

DEFINED BENEFIT PENSION PLAN

The City of Lacy Lakeview participates as one of 895 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available Comprehensive Annual Financial Report (CAFR) that can be obtained at www.tmrs.com.

All eligible employees of the City are required to participate in TMRS. For more detailed information concerning the benefits provided, contributions and net pension liability in connection with the Defined Benefit Pension Plan, see Appendix D, "Notes to the Basic Financial Statements from the City's Annual Financial Report", Note 10, Page 26

AD VALOREM TAX PROCEDURES

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 McLennan 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 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 (the "10% Homestead Cap"). See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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 ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction in taxable valuation attributable to valuation by Productivity Value.

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 TAX PROCEDURES – Issuer 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. See "APPENDIX A – Financial Information of the Issuer - Table 1" for the reduction, if any, attributable to state mandated homestead exemptions.

Local Option Homestead Exemptions

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

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. See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

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.

See “APPENDIX A – Financial Information of the Issuer - Table 1” for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

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 Financing Zones

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones (“TIRZ”) within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the “Incremental Value” in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. 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 “Incremental Value”, and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See “CITY APPLICATION OF THE 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 “CITY APPLICATION OF THE 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 “CITY APPLICATION OF THE PROPERTY TAX CODE” herein.

Temporary Exemption for Qualified Property Damaged by a Disaster

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

Public Hearing and Maintenance and Operations Tax Rate Limitations

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

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

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

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

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

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

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (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 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 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 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance. (See "AD VALOREM TAX PROCEDURES – Tax Rate Limitations" herein)

Issuer and Taxpayer Remedies

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $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 TAX PROCEDURES – 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.

City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

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

Levy and Collection of Taxes

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

Penalties and Interest

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

Month	Penalty	Interest	Total
February	6%	1%	7%
March	7	2	9
April	8	3	11
May	9	4	13
June	10	5	15
July[(a)]	12	6	18

[(a)] *After July, penalty remains at 12% and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed.*

In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF THE PROPERTY TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $5,000; Disabled Veterans are granted an exemption based upon their percent of disability.

The City has granted an additional exemption of 20% of the market value of residence homesteads.

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

The City does not tax non-business personal property.

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

The City does not grant the Article VIII, Section 1-j ("freeport property") exemption.

The City does collect an additional one-half cent sales tax for reduction of ad valorem taxes.

The City has adopted a tax abatement policy and has entered into tax abatement agreements.

The City has not created a Tax Increment Reinvestment Zone.

ADDITIONAL TAX COLLECTIONS

The city has adopted the Municipal Sales and Use Tax Act, Texas, Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. The City collects an additional 0.5% local sales tax for property tax relief. Collections are shown on Table 12 herein.

Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

The total local sales tax rate for the City is 8.25%.

TAX MATTERS

Opinion

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

In rendering its opinion, Bond Counsel to the City will rely upon (a) the City’s federal tax certificate and (b) covenants of the City with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Certificates and certain other matters. Failure of the City to comply with these representations or covenants could cause the interest on the Certificates to become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

Federal Income Tax Accounting Treatment of Original Issue Discount

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

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

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

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

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

Collateral Federal Income Tax Consequences

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

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

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

Interest on the Certificates may be includable in certain corporation’s "adjusted financial statement income" determined under section 56A of the Code to calculate the alternative minimum tax imposed by section 55 of the Code.

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

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

State, Local and Foreign Taxes

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

Information Reporting and Backup Withholding

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

Future and Proposed Legislation

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

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer's taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" 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."

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

INFECTIOUS DISEASE OUTBREAK – COVID-19

In March 2020, the World Health Organization and the President of the United States separately declared the outbreak of a respiratory disease caused by a novel coronavirus ("COVID-19") to be a public health emergency. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State of Texas (the "State") because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities.

There are currently no COVID-19 related operating limits for any business or other establishments in the State of Texas. The Governor retains the right to impose restrictions on activities if needed to mitigate the effects of COVID-19. 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 into this Official Statement.

To date, the City has not experienced any decrease in property values, unusual tax delinquencies, or interruptions to service as a result of COVID-19; however the City cannot predict the long-term economic effect of COVID-19 or a similar virus should there be a reversal of economic activity and re-imposition of restrictions.

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LEGAL MATTERS

The City will furnish to the Underwriters a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel. A form of such opinion is attached hereto as Appendix C.

The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Certificates, will also be furnished. In connection with the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City. Though it may represent the Financial Advisor and the Underwriters 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 noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions "THE CERTIFICATES" (except under the subcaptions "Payment Record", "Default and Remedies" and "Sources and Uses of Funds"), "REGISTRATION, TRANSFER AND EXCHANGE", "LEGAL MATTERS" (excluding the last two sentences of the second paragraph thereof), "TAX MATTERS", "OTHER PERTINENT INFORMATION- Registration and Qualification of Certificates for Sale" and "CONTINUING DISCLOSURE OF INFORMATION" (except under the subcaption "Compliance with Prior Agreements"), and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is 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. Certain legal matters will be passed upon for the Underwriters by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee of such firm is contingent upon the sale and delivery of the Certificates.

The various legal opinions to be delivered concurrently with the delivery of the Certificates express the professional judgment of the attorneys rendering the opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that 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.

CONTINUING DISCLOSURE OF INFORMATION

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 at the time of issuance of the Certificates the City will not have more than $10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board (the "MSRB"). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide to the MSRB certain updated financial information and operating data which is customarily prepared by the City and is publicly available on an annual basis. The information to be provided is the City's audited Annual Financial Report and annual fiscal year budget. The City will update and provide this information within six months after the end of each fiscal year. If the City's audited Annual Financial Report is not available by the required time, the City will provide unaudited financial statements within six months of the end of the fiscal year commencing with the fiscal year ending in 2022 and will provide 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 B 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, the City must provide updated information by the last day of March in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data. All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document) available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by Rule 15c2-12.

Notice of Certain Events

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3)

unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. Neither the Certificates nor the Ordinance make any provision for debt service reserves, liquidity enhancement, credit enhancement, or a trustee though there is a paying agent/registrar. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Certificates, the City will file all required information and documentation with the MSRB in electronic format with identifying information in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

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 (including an official statement or other offering document), if it is available to the public on the MSRB's Internet website or has been filed with the SEC.

The foregoing information may also be obtained from: City of Lacy Lakeview, Finance Director, 501 E Craven Ave., Lacy Lakeview TX 76705, Main: (254) 799-2458.2

Limitations and Amendments

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

The City may amend its continuing disclosure agreements 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 authorize such an amendment) of the outstanding Certificates subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Certificates subject to the proposed amendment. The City may also amend or repeal the provisions of its continuing disclosure agreements 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 Certificates in the primary offering of the Certificates. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements described above under “Annual Reports” an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of information and data provided.

Compliance with Prior Agreements

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

OTHER PERTINENT INFORMATION

Registration and Qualification of Certificates for Sale

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

Litigation

The City is not a party to any pending or threatened litigation.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provides that the Certificates are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended, requires that the Certificates be assigned a rating of not less than “A” or its equivalent as to investment quality by a national rating agency. See “OTHER PERTINENT INFORMATION – Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their fair market value. No review has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

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

Ratings

S&P Global Ratings, a division of S&P Global Inc. (“S&P”), has assigned its credit rating of “AA-” to the Certificates. An explanation of the significance of any rating may be obtained from S&P. A rating by S&P reflects only the view of such company at the time the rating is given, and the Issuer makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time, or that its will not be revised downward or withdrawn entirely by S&P, if, in the judgment of them, circumstances so warrant. Any such downward revision or withdrawal of any rating may have an adverse effect on the market price of the Certificates.

Financial Advisor

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

Underwriting

The Underwriter has agreed, subject to certain customary conditions, to purchase the Certificates at a price equal to the initial offering prices to the public, as shown on the inside cover page, less an Underwriter’s Discount of $25,936.81. The Underwriter’s obligation is subject to certain conditions precedent, and the Underwriter will be obligated to purchase all of the

Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers and others at prices lower than such public offering prices and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter's obligations are subject to certain conditions precedent, and will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates may be offered and sold to certain dealers, and others at prices lower than such respective public offering prices and such respective public prices may be changed, from time to time, by the Underwriter.

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

AUDITED FINANCIAL STATEMENTS

Jaynes Reitmeier Boyd & Therrell, CPA, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. Excerpts from the report relating to City's financial statements for the fiscal year ended September 30, 2021 are included in this Official Statement in Appendix D; however, Jaynes Reitmeier Boyd & Therrell, CPA has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CONCLUDING STATEMENT

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

In the Ordinance, the City Council authorized (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter's use of this Official Statement in connection with the public offering and the sale of the Certificates in accordance with the provisions of the Rule.

APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

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

FINANCIAL INFORMATION OF THE ISSUER

ASSESSED VALUATION **TABLE 1**

2022 Actual Market Value of Taxable Property		$ 602,374,162
Less Exemptions:		
Exempt Value	33,255,710	
Homestead Cap	38,277,036	
Productivity Loss	2,288,890	
Pro-rated Value	-	
Abated amount	5,986,664	
House Bill 366	47,350	
Over 65	2,071,418	
Disabled Veteran	8,010,164	
Pollution	589,280	
Other		
		90,526,512
2022 Net Taxable Assessed Valuation (100% of Actual)[1]		$ 511,847,650

[1] *See "AD VALOREM TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.*
Source: McLennan County Appraisal District

GENERAL OBLIGATION BONDED DEBT (as of March 31, 2023) **TABLE 2**

General Obligation Debt Outstanding:		
Combination Tax & Revenue Certificates of Obligation, Series 2013		$ 680,000
Combination Tax & Revenue Certificates of Obligation, Series 2016		1,460,000
General Obligation Refunding Bonds, Series 2021		735,000
Combination Tax & Revenue Certificates of Obligation, Series 2021		1,943,000
The Certificates		2,410,000
Total Gross General Obligation Debt Outstanding:		$ 7,228,000
Self-Supported General Obligation Debt Outstanding:		
Combination Tax & Revenue Certificates of Obligation, Series 2013	100%	$ 680,000
Combination Tax & Revenue Certificates of Obligation, Series 2016	100%	1,460,000
Combination Tax & Revenue Certificates of Obligation, Series 2021	100%	1,943,000
The Certificates	50%	1,205,000
Total Self-Supported Debt Outstanding:		$ 5,288,000
Total Net General Obligation Debt Principal Outstanding:		$ 1,940,000
2022 Net Assessed Valuation[1]	$ 511,847,650	
Population: 1990 - 3,617; 2000 - 5,764 2023 (Estimate) -	7,138	
Per Capita 2022 Net Assessed Valuation -	$71,707	
Per Capita Gross General Obligation Debt -	$1,013	

[1] See "AD VALOREM TAXATION" in the Official Statement description of the Issuer's taxation procedures.

OTHER OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE **TABLE 3**

The City has entered into various lease agreements to finance the acquistion of various vehicles, machinery and equipment
The following is a schedule of future minimum capital lease payments for the City as of February 28, 2023;

Description	Principal Amount Oustanding	Final Payment Amount	Final Payment Date	Frequency
and Radio Tower	$ 625,523.18	$ 25,619.59	10/1/2023	Annual
2021 Police SUV	116,322.86	34,709.34	2/1/2025	Annual
Total	$ 741,846.04	$ 60,328.93		

Source: The Issuer.

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 4**

Fiscal Year 30-Sep	Current Total Debt Service	The 2023 Certificates			Combined Debt Service	Self-Supporting Debt	Net General Obligation Debt Service
		Principal	Interest	Total			
2023	$636,887				$ 636,887	$ (483,758)	$ 153,129
2024	627,545	$ 45,000	$ 140,940	$ 185,940	813,485	(571,802)	241,683
2025	632,205	80,000	107,100	187,100	819,305	(573,429)	245,876
2026	632,678	85,000	103,100	188,100	820,778	(574,837)	245,941
2027	626,991	85,000	98,850	183,850	810,841	(568,471)	242,370
2028	482,264	90,000	94,600	184,600	666,864	(574,564)	92,300
2029	357,734	95,000	90,100	185,100	542,834	(450,284)	92,550
2030	358,803	100,000	85,350	185,350	544,153	(451,478)	92,675
2031	355,696	105,000	80,350	185,350	541,046	(448,371)	92,675
2032	127,550	110,000	75,100	185,100	312,650	(220,100)	92,550
2033	129,250	115,000	69,600	184,600	313,850	(221,550)	92,300
2034	125,800	120,000	63,850	183,850	309,650	(217,725)	91,925
2035	127,350	130,000	57,850	187,850	315,200	(221,275)	93,925
2036	128,750	135,000	51,350	186,350	315,100	(221,925)	93,175
2037		140,000	44,600	184,600	184,600	(92,300)	92,300
2038		145,000	39,000	184,000	184,000	(92,000)	92,000
2039		155,000	33,200	188,200	188,200	(94,100)	94,100
2040		160,000	27,000	187,000	187,000	(93,500)	93,500
2041		165,000	20,600	185,600	185,600	(92,800)	92,800
2042		170,000	14,000	184,000	184,000	(92,000)	92,000
2043		180,000	7,200	187,200	187,200	(93,600)	93,600
	$ 5,349,503	$ 2,410,000	$ 1,303,740	$ 3,713,740	$ 9,063,243	$ (6,449,869)	$ 2,613,374

TAX ADEQUACY (Includes Self-Supporting Debt) **TABLE 5 A**

2022 Assessed Valuation	$ 511,847,650
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)	$ 820,778
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.163628

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

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 5 B**

2022 Assessed Valuation	$ 511,847,650
Maximum Annual Debt Service Requirements (Fiscal Year Ending 9-30-26)	$ 245,941
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.049030

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

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE — TABLE 6

Fiscal Year Ending 9/30	Outstanding Debt	Series 2023 Certificates	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2023	$ 551,000		$ 551,000	$ 6,677,000	7.62%
2024	550,000	$ 45,000	595,000	6,082,000	15.86%
2025	563,000	80,000	643,000	5,439,000	24.75%
2026	572,000	85,000	657,000	4,782,000	33.84%
2027	575,000	85,000	660,000	4,122,000	42.97%
2028	439,000	90,000	529,000	3,593,000	50.29%
2029	322,000	95,000	417,000	3,176,000	56.06%
2030	329,000	100,000	429,000	2,747,000	62.00%
2031	332,000	105,000	437,000	2,310,000	68.04%
2032	110,000	110,000	220,000	2,090,000	71.08%
2033	115,000	115,000	230,000	1,860,000	74.27%
2034	115,000	120,000	235,000	1,625,000	77.52%
2035	120,000	130,000	250,000	1,375,000	80.98%
2036	125,000	135,000	260,000	1,115,000	84.57%
2037		140,000	140,000	975,000	86.51%
2038		145,000	145,000	830,000	88.52%
2039		155,000	155,000	675,000	90.66%
2040		160,000	160,000	515,000	92.87%
2041		165,000	165,000	350,000	95.16%
2042		170,000	170,000	345,000	95.23%
2043		180,000	180,000		100.00%
	$ 4,818,000	$ 2,410,000	$ 7,228,000		

TAXABLE ASSESSED VALUATION FOR TAX YEARS 2018-2022 — TABLE 7

Year	Net Taxable Assessed Valuation	Change From Preceding Year: Amount ($)	Change From Preceding Year: Percent
2018	$ 363,195,409	$ 23,501,387	6.92%
2019	395,870,174	32,674,765	13.13%
2020	416,741,897	20,871,723	7.99%
2021	440,276,768	23,534,871	9.30%
2022	511,847,650	71,570,882	21.07%

Source: McLennan County Appraisal District

ASSESSED VALUATION AND EXEMPTION HISTORY — TABLE 8

	2022	2021	2020	2019	2018
Total Appraised Value	$ 602,374,162	$ 494,140,540	$ 465,667,861	$ 445,183,575	$ 413,107,415
Less Exemptions:					
Productivity Loss	$ 2,288,890	$ 1,555,980	$ 1,543,450	$ 1,368,990	$ 1,429,890
Cap Loss	38,277,036	7,822,658	2,137,547	4,190,085	5,479,328
Residential Homestead	-	-	-		-
Veterans	8,010,164	7,302,304	6,879,772	6,557,024	5,602,582
Over 65 & Disabled	2,071,418	2,022,500	2,059,071	2,035,000	2,108,539
Totally Exempt Property	5,986,664	6,091,064	7,282,416	7,548,536	9,581,550
Pollution Control	33,303,060	28,414,310	28,261,131	27,476,274	25,562,878
	589,280	654,956	762,577	$ 137,492	147,239
	$ 90,526,512	$ 53,863,772	$ 48,925,964	$ 49,313,401	$ 49,912,006
Net Taxable Assessed Valuation	$ 511,847,650	$ 440,276,768	$ 416,741,897	$ 395,870,174	$ 363,195,409

Source: McLennan County Appraisal District

PRINCIPAL TAXPAYERS — TABLE 9

Name	Type of Business	2022 Net Taxable Assessed Valuation	% of Total 2022 Assessed Valuation
Tymco, Inc.	Manufacturer	$ 12,347,810	2.41%
Doublehill Propoerties Inc	Real Estate	12,000,000	2.34%
3500 Meyers Lane LLC	Real Estate	8,200,000	1.60%
Ambrosia Hospitality LLC	Manufacturer	7,775,900	1.52%
Quantuck Waco LLC	Manufacturer	7,188,510	1.40%
Lone Star Hospitality LLC	Manufacturer	6,868,520	1.34%
Oncor Electric Delivery Co	Manufacturer	6,214,220	1.21%
A M Lodging LLC	Fabrication	6,000,000	1.17%
Motiva Enterprises LLC	Manufacturer	5,972,580	1.17%
Triad Development LTD	Manufacturer	5,850,150	1.14%
		$ 78,417,690	15.32%

Based on a 2022 Net Taxable Assessed Valuation of $ 511,847,650

Source: McLennan County Appraisal District.

PROPERTY TAX RATES AND COLLECTIONS [a] — TABLE 10

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Year Ended
2018	$ 363,195,409	$ 0.35263	$ 1,280,990	98.75%	99.99%	9/30/2019
2019	395,870,174	0.34006	1,346,354	98.72%	98.72%	9/30/2020
2020	416,741,897	0.36223	1,510,813	98.57%	98.57%	9/30/2021
2021	440,276,768	0.35262	1,551,976	92.76%	103.36%	9/30/2022
2022	511,847,650	0.29755	-	(in process of collections)		9/30/2023

[a] "AD VALOREM TAX PROCEDURES - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of tl City's provisions.

Source: City of Lacy Lakeview

TAX RATE DISTRIBUTION — TABLE 11

	2022	2021	2020	2019	2018
General Fund	$0.2684	$0.2911	$0.2923	$0.2691	$0.2756
I & S Fund	$0.0291	$0.0616	$0.0699	$0.0710	$0.0771
TOTAL	$0.2975	$0.3526	$0.3622	$0.3401	$0.3526

Source: City of Lacy Lakeview

MUNICIPAL SALES TAX — TABLE 12

The City has adopted the provisions of Sections 321.506 & 321.507, Texas Tax Code, which provides for the levy of a sales tax which may be used by the City for any lawful purpose except that the City may not pledge any of the anticipated sales tax revenue to secure the payment of obligations or other indebtedness. The City levies a sales tax of 1.50%. Net collections on a calendar year basis are shown below.

Calendar Year	Total Collected
2019	$ 1,497,093
2020	1,920,684
2021	1,699,633
2022	2,081,999
2023	600,548.57*

Source: State Comptroller's Office of the State of Texas and information from the Issuer.
*Through March 2023

OVERLAPPING DEBT DATA AND INFORMATION — TABLE 13

Taxing Body	As of	Net Debt	% Overlapping	Amount Overlapping
Connally ISD	2/28/2023	$9,090,000	34.25%	$ 3,113,325
La Vega ISD	2/28/2023	32,138,981	6.52%	2,095,462
McLennan County	2/28/2023	74,300,000	1.71%	1,270,530
McLennan County Junior College Dist	2/28/2023	44,450,000	1.71%	760,095
Total Gross Overlapping Debt				$ 7,239,412
City of Lacy Lakeview	2/28/2023	7,228,000 (1)	100.00%	7,228,000
Total Direct and Overlapping Debt				$ 14,467,412

Ratio of Direct and Overlapping Debt to 2022 Assessed Valuation	2.83%
Ratio of Direct and Overlapping Debt to 2022 Actual Value	2.40%
Per Capita Direct and Overlapping Debt	$2,026.82

Note: The above figures show Gross General Obligation Debt for the City of Lacy Lakeview, Texas
The Issuer's Net General Obligation Debt is $ 1,940,000
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Total Direct and Overlapping Debt	$ 9,179,412
Ratio of Direct and Overlapping Debt to 2022 Assessed Valuation	1.79%
Ratio of Direct and Overlapping Debt to 2022 Actual Value	1.52%
Per Capita Direct and Overlapping Debt	$1,285.99

(1) Includes the Certificates (See "GENERAL OBLIGATION BONDED DEBT" herein.)
Source: City of Lacy Lakeview

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES — TABLE 14

Governmental Entity	2022 Net Taxable Assessed Valuation	2022 Tax Rate
Connally ISD	$953,040,455	$ 1.0873
La Vega ISD	1,185,205,466	1.1882
McLennan County	24,007,005,734	0.3764
McLennan County JCD	25,236,030,634	0.1391

Source: The Texas Municipal Report published by the Municipal Advisory Council of Texas.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES **TABLE 15**

	Fiscal Year Ended September 30,				
	2022*	2021	2020	2019	2018
Fund Balance - Beginning of Year	$ 3,588,059	$ 3,258,925	$ 2,694,540	$ 2,454,078	$ 2,238,911
Revenues:					
Property taxes	$ 1,546,620	$ 1,495,729	$ 1,337,855	$ 1,267,984	$ 1,190,067
Sales Tax	1,867,215	1,683,607	1,925,662	1,476,117	1,349,991
Franchise taxes	329,220	318,740	338,585	373,953	351,034
Other taxes	18,274	9,756	7,874	11,003	14,190
Fines and forfeitures	64,785	64,442	91,164	87,048	138,284
Interest	6,608	15,685	20,798	27,905	17,755
Charges for services	12,000	107,389	85,899	82,172	108,730
License and permits	65,804	41,449	39,740	45,160	78,151
Intergovernmental		-	14,212	-	-
Grant proceeds		-	-	-	-
Other	232,627	119,596	91,766	79,336	145,556
Total Revenues	$ 4,143,153	$ 3,856,393	$ 3,953,555	$ 3,450,678	$ 3,393,758
Expenditures:					
Current:					
General Government	446,399	341,093	384,874	352,346	$ 349,502
Public Safety	2,055,846	2,049,373	2,142,293	2,049,080	2,021,038
Streets	349,849	344,108	326,327	333,757	267,029
Fire department	177,157	-	-	-	-
Recreational and cultural	143,432	105,177	105,639	91,498	156,659
Court	187,067	192,741	194,174	191,016	184,242
Debt service:					
Principal	264,000	102,561	139,852	141,836	161,563
Interest	9,663	11,598	16,303	18,871	24,658
Capital Outlay	161,298	152,338	111,935	61,548	82,349
Total Expenditures	$ 3,794,711	$ 3,298,989	$ 3,421,397	$ 3,239,952	$ 3,247,040
Excess (Deficiency) of Revenue	$ 348,442	$ 557,404	$ 532,158	$ 210,726	$ 146,718
Other Financing Sources (Uses)					
Transfers from other funds		$ -	$ 15,000	$ -	$ -
Transfers to other funds	50,000	(228,270)	-	-	-
Proceeds from capital leases		-	17,227	-	-
Grant proceeds	-	-	-	29,736	68,449
Total Other Financing Sources (Uses)	$ 50,000	$ (228,270)	$ 32,227	$ 29,736	$ 68,449
Net Change in Fund Balances	398,442	329,134	564,385	240,462	215,167
Fund Balance - End of Year	**$ 3,986,501**	**$ 3,588,059**	**$ 3,258,925**	**$ 2,694,540**	**$ 2,454,078**

Source: The Issuer's Financial Statements.

*Unaudited

FUND BLANCES		TABLE 16
Consolidated Fund	$ 2,157,481	

GENERAL OBLIGATION BONDS AUTHORIZED BUT NOT ISSUED	TABLE 17

None

PRINCIPAL WATER CUSTOMERS	TABLE 19

Name of Customer	Average Monthly Consumption (Gals.)	Average Monthly Bill
Sherwood Apts	392,338	$ 6,203.29
Connally High Baseball Field	216,562	1,406.28
1106 Hooks	124,400	1,811.09
1106 Hooks	123,869	1,520.93
Meadows Apts	89,546	1,732.17
Meadows Apts	89,246	1,733.29
Meadows Apts	366,115	3,204.24
Meadows Apts	70,854	1,947.44
Total		$ 19,558.73

Source: City of Lacy Lakeview (as of February 28, 2023).

WATER AND SEWER RATES *(2022-2023)* TABLE 20

WATER		
Residential		
First 2,000 gallons	$	33.95
Next 8,000 gallons		4.70
Next 5,000 gallons		4.87
Over 15,000 gallons		5.06
SEWER		
Residential		
0-2,000 gallons	$	25.28
over 2,000 gallons		2.64
not to exceed		50.00

Source: City of Lacy Lakeview

UTILITY SYSTEM OPERATING STATEMENT TABLE 21

	Fiscal Year Ended September 30,				
	2022	**2021**	**2020**	**2019**	**2018**
Revenues (plus interest)	not available	$ 3,264,570	$ 3,223,414	$ 3,119,677	$ 3,281,490
Expenses (less depreciation)	not available	(2,732,073)	(2,529,296)	(2,567,261)	(2,341,711)
Net Revenue Available for Debt Service	$ -	$ 532,497	$ 694,118	$ 552,416	$ 939,779

Customer Count:		**2022**	**2021**	**2020**	**2019**	**2018**
	Water	2,376	2,180	2,166	2,148	2,104
	Sewer	2,251	2,077	2,068	2,053	2,017

Sources: The Issuer's Financial Statements.
**Through February 28, 2023*

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY OF LACY LAKEVIEW AND MCLENNAN COUNTY, TEXAS

INFORMATION REGARDING THE CITY OF LACY LAKEVIEW AND MCLENNAN COUNTY, TEXAS

GENERAL

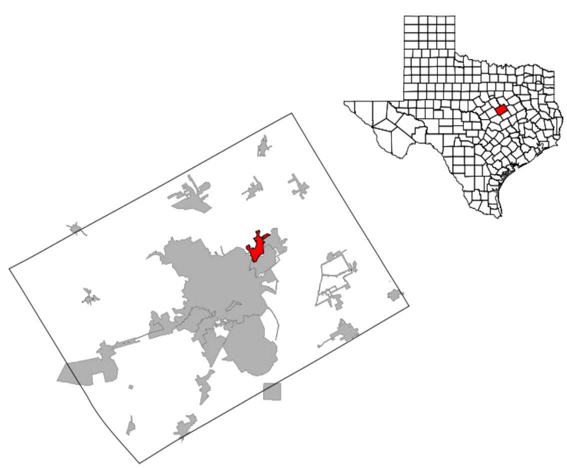
The City of Lacy Lakeview is a growing community located in the central geographic region of Texas. It borders the City of Waco to its south and the City of Bellmead to its east. The Dallas/Ft. Worth area is 85 miles north and the City of Austin is approximately 100 miles to the south.

The history of the City is varied and colorful. It began as a mail route from Waco during the 1880's and was named for William David Lacy. It was located on the infamous Chisholm Trail when cattle were driven north from Brownsville to Kansas and Missouri. It merged with the community of Lakeview in 1953 and became Lacy Lakeview. In 1998 the City merged with the City of Northcrest becoming a home rule city and hired their first City Manager.

Baylor University, McLennan Community College and Texas State Technical College are all three located near the City. The area also boasts of 2 major hospitals, a regional airport, bus, and rail service.

McLennan County was created and organized in 1850 after being settled by Neil McLennan in 1845. The County's economy is based primarily on manufacturing and agriculture with higher education making a significant impact. Agriculture income is derived from beef, hogs, dairy farms, corn and oats. Minerals produced in the County include sand, gravel, stone and clays. The County is traversed by Interstate Highway 35, U. S. Highways, 77, 81, and 84, and State Highways 6, 31 and 317.

Currently, McLennan County includes 22 incorporated cities and 2 unincorporated areas over a span of 1060 square miles with an estimated population of 260,576 for 2020.



LEADING EMPLOYERS IN LACY LAKEVIEW

Employer	Line of Business	2023 Approximate # Employees
Connally ISD	School District	350
General Dynamics	Call Center	300
Tymco	Manufacturer	161
Cracker Barrell	Restraunt	112
CMC Alamo Steel	Steel Manufacturing	100
Patrick Industries	Custom Vinyls	60
Atwoods	Farm/Ranch Store	50

EMPLOYMENT STATISTICS

	McLennan County		State of Texas	
	Jan 2022	Jan 2023	Jan 2022	Jan 2023
Total Civilian Labor Force	116,152	129,746	14,706.5	14,754.3
Total Employed	110,816	124,356	14,145.6	14,185.0
Total Unemployed	5,336	5,390	3.8	3.9

UNEMPLOYMENT RATES

	Jan 2022	Jan 2023
McLennan County	3.5%	3.2%
State of Texas	3.8	3.9
United States of America	3.5	3.6

Source: Texas Workforce Commission, Austin, Texas

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Certificates, assuming no material changes in facts or law.

$2,410,000 CITY OF LACY LAKEVIEW, TEXAS COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

AS BOND COUNSEL FOR THE CITY OF LACY LAKEVIEW, TEXAS, (the "*Issuer*") in connection with the issuance of the Certificates of Obligation described above (the "*Certificates*"), we have examined into the legality and validity of the Certificates, which bear interest from the dates and mature on the dates, and are not subject to redemption, in accordance with the terms and conditions stated in the text of the Certificates and in the ordinance of the Issuer authorizing the issuance and sale of the Certificates (the "*Ordinance*"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Certificates, including executed Certificate Number R-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Certificates constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Certificates have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates are additionally secured by and payable from a pledge of the surplus revenues from the operation of the Issuer's waterworks and sewer system remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve and other requirements in connection with all of the Issuer's revenue obligations (now or hereafter outstanding) that are secured by a lien on all or any part of the net revenues of the Issuer's waterworks and sewer system, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Certificates (i) is excludable from the gross income of the owners thereof and (ii) the Certificates will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "*Code*"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Certificates.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants regarding the use and investment of the proceeds of the Certificates and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Certificates may become includable in gross income retroactively to the date of issuance of the Certificates.

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

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

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

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

APPENDIX D

EXCERPTS FROM THE CITY OF LACY LAKEVIEW AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021

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

City of Lacy Lakeview, Texas
Financial Statements and
Supplementary Information
September 30, 2021
(With Independent Auditor's Report Thereon)

City of Lacy Lakeview, Texas

Table of Contents

JAYNES REITMEIER BOYD & THERRELL, P.C.
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INDEPENDENT AUDITOR'S REPORT

The Honorable Members of City Council
City of Lacy Lakeview, Texas:

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

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this included 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the City of Lacy Lakeview, Texas 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii through x, the budgetary comparison information on pages 39 and 40, and other required supplementary information on pages 41 through 44 (collectively, "the required supplementary information") 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.

September 16, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Lacy Lakeview, Texas (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Lacy Lakeview, Texas for the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $10,575,365 (*net position).* Of this amount, $3,675,549 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.

- The government's total net position increased by $1,348,751 during the year.

- For business-type activities and the water and sewer fund, the City recognized a special item for the year ended September 30, 2020 – a $1,970,491 loss from termination of the Waco Metropolitan Area Regional Sewer System ("WMARSS") interlocal cooperation agreement, which resulted in the City no longer recognizing its undivided interest in the facilities and operations of WMARSS.

- During the current year, the City issued $1,251,000 general obligation refunding bonds to refund $1,195,000 of existing general obligation refunding bonds. The refunding transaction was undertaken to reduce debt service payments over the next six years and resulted in an economic gain of $64,425.

- As of the close of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,809,511, an increase of $569,025 from the prior year. Approximately 74% of the fund balance, $3,540,851 (unassigned fund balance), is available for spending at the government's discretion.

- At the end of the current fiscal year, unrestricted fund balance (the total of the c*ommitted,* a*ssigned and unassigned* components of *fund balance*) for the general fund was $3,540,851, or approximately 107% of total general fund expenditures.

Overview of the Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

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 financial information on all of the City's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

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.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes (*governmental activities)* from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, streets, municipal court, and culture and recreation. The business-type activities of the City include water and sewer operations.

The government-wide financial statements can be found on pages 1 – 2 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. All of the funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

The City maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the hotel-motel fund and the grant fund, each of which is considered to be a major fund.

The basic governmental fund financial statements can be found on pages 3 through 6 of this report.

Proprietary fund. The City maintains one type of proprietary fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its water and sewer operations. The proprietary fund provides the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 7 - 9 of this report.

Notes to the financial statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 10 - 38 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the City's budgetary data for the general fund and hotel-motel fund and information related to the net pension and total OPEB liabilities. Required supplementary information can be found on pages 39 through 44 of this report.

Government-wide Overall Financial Analysis

As noted earlier, net position over time, may serve over time as a useful indicator of a government's financial position. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows by $10,575,365 at the close of the most recent fiscal year.

City of Lacy Lakeview
Net Position
September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 5,842,273	4,531,735	5,607,292	5,992,606	11,449,565	10,524,341
Capital assets, net	1,645,218	1,611,997	4,532,121	4,178,645	6,177,339	5,790,642
Total assets	7,487,491	6,143,732	10,139,413	10,171,251	17,626,904	16,314,983
Deferred outflows of resources	233,203	226,541	166,379	143,399	399,582	369,940
Other current liabilities	961,015	223,198	650,281	403,701	1,611,296	626,899
Noncurrent liabilities	1,115,339	1,636,302	4,061,511	4,896,649	5,176,850	6,532,951
Total liabilities	2,076,354	1,859,500	4,711,792	5,300,350	6,788,146	7,159,850
Deferred inflows of resources	483,971	220,859	179,004	77,600	662,975	298,459
Net position:						
Net investment in capital assets	1,411,941	1,272,735	4,128,621	3,360,825	5,540,562	4,633,560
Restricted	1,268,237	1,018,838	91,017	12,010	1,359,254	1,030,848
Unrestricted	2,480,191	1,998,341	1,195,358	1,563,865	3,675,549	3,562,206
Total net position	$ 5,160,369	4,289,914	5,414,996	4,936,700	10,575,365	9,226,614

By far, the largest portion of the City's net position (52%) reflects its investment in capital assets (e.g., land, buildings, infrastructure, machinery, and equipment) less any related outstanding debt that was used to acquire those assets. The City uses these capital assets to provide a variety of services to its citizens. Accordingly, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The City's investment in capital assets, net of related debt of $5,540,562 at September 30, 2021 represents an increase of $907,002 from the prior year primarily due to sewer system additions and principal repayments on long-term debt.

An additional portion of the City's net position (13%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of $3,675,549 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate government activities and business-type activities. The same situation held true for the prior year.

City of Lacy Lakeview
Changes in Net Position
Years Ended September 30, 2021 and 2020

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program revenues:						
Charges for services	$ 207,351	193,893	3,261,883	3,207,516	3,469,234	3,401,409
Operating grants and contributions	-	14,212	-	-	-	14,212
General revenues:						
Property taxes	1,502,018	1,337,594	-	-	1,502,018	1,337,594
Sales taxes	1,683,607	1,925,662	-	-	1,683,607	1,925,662
Franchise taxes	318,740	338,585	-	-	318,740	338,585
Other taxes	605,024	470,824	-	-	605,024	470,824
Interest income	18,045	20,110	2,687	15,898	20,732	36,008
Other income	-	-	40,205	29,167	40,205	29,167
Total revenues	4,334,785	4,300,880	3,304,775	3,252,581	7,639,560	7,553,461
Expenses:						
General government	342,634	405,730	-	-	342,634	405,730
Public safety	2,003,583	2,206,778	-	-	2,003,583	2,206,778
Streets	357,443	368,651	-	-	357,443	368,651
Municipal court	182,338	195,672	-	-	182,338	195,672
Culture and recreation	341,888	349,149	-	-	341,888	349,149
Interest and amortization on long-term debt	8,174	12,454	-	-	8,174	12,454
Water and sewer	-	-	3,054,749	2,875,119	3,054,749	2,875,119
	3,236,060	3,538,434	3,054,749	2,875,119	6,290,809	6,413,553

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Increase in net position before special item and transfers	1,098,725	762,446	250,026	377,462	1,348,751	1,139,908
Special item - loss from termination of WMARSS interlocal agreement	-	-	-	(1,970,491)	-	(1,970,491)
Transfers	(228,270)	15,000	228,270	(15,000)	-	-
Increase (decrease) in net position	870,455	777,446	478,296	(1,608,029)	1,348,751	(830,583)
Net position, beginning of the year	4,289,914	3,512,468	4,936,700	6,544,729	9,226,614	10,057,197
Net position, end of the year	$ 5,160,369	4,289,914	5,414,996	4,936,700	10,575,365	9,226,614

The City's net position increased by $1,348,751 during the current fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Governmental activities. Governmental activities increased the City's net position by $870,455.

- Sales taxes decreased by $242,055 during the year, due to decreased commercial activity along Interstate 35.

- Public safety expenditures decreased by $203,195 during the year, which is primarily due to a decrease in public safety personnel for which no replacements have been hired.

- Transfers increased by $243,270 during the year due to transfers for the 2021 bond principal repayments to the water and sewer fund.

Other revenue and expenses paralleled the prior year activity.

Business-type activities. Business-type activities increased the City's net position by $478,296. Key elements of this increase are as follows.

- During 2020, the City recognized a special item – a $1,970,491 loss from termination of the WMARSS interlocal cooperation agreement, which resulted in the City no longer recognizing its undivided interest in the facilities and operations of WMARSS. Exclusive of this special item, 2020 net position increase amounted to $377,462.

Other revenue and expenses paralleled the prior year activity.

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes by the City Council.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $4,809,511, an increase of $569,025 from the prior year. Less than 1% of this total amount ($423) constitutes nonspendable fund balance. Nonspendable fund balance represents net resources that are inherently nonspendable because of their form or because they must remain intact. Approximately 26% ($1,268,237) of the total fund balance is classified as restricted. Restricted fund balance represents balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. The remaining 74% of the fund balance ($3,540,851) is reported as unassigned and represents the net residual resources.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $3,540,851, while total fund balance increased to $3,588,059. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 107% of the total general fund expenditures, while total fund balance represents 109% of that same amount.

Proprietary funds. The City's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail. Total net position of the water and sewer fund at the end of the year amounted to $5,414,996. The total increase in net position was $478,296. Other factors concerning the finances of this fund have already been addressed in the discussion of the City's business-type activities.

General Fund Budgetary Highlights

Original Budget Compared to Final Budget. There were no differences between the original budget and the final amended budget. During the year, sales tax revenues exceed budgetary estimates due to better than anticipated activity. Budget overages in the general fund for the year ended September 30, 2021, were funded by revenues in excess of budgeted amounts from sales taxes.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of September 30, 2021, amounts to $6,177,339 (net of accumulated depreciation) and is an increase of $386,697 from the prior year, primarily due to additions in sewer system facilities. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and water and sewer system facilities.

City of Lacy Lakeview
Capital Assets
September 30, 2021 and 2020

		Governmental Activities		Business-type Activities		Total	
		2021	2020	2021	2020	2021	2020
Land	$	201,196	201,196	53,686	53,686	254,882	254,882
Buildings		1,123,686	1,123,686	-	-	1,123,686	1,123,686
Improvements other than buildings		1,202,096	1,202,096	-	-	1,202,096	1,202,096
Machinery and Equipment		3,765,563	3,626,361	893,949	885,088	4,659,512	4,511,449
Water system facilities		-	-	4,480,022	4,454,712	4,480,022	4,454,712
Sewer system facilities		-	-	5,284,777	4,770,511	5,284,777	4,770,511
Less: accumulated depreciation		(4,647,323)	(4,541,342)	(6,180,313)	(5,985,352)	(10,827,636)	(10,526,694)
	$	1,645,218	1,611,997	4,532,121	4,178,645	6,177,339	5,790,642

Additional information on the City's capital assets can be found in Note 8 on pages 21-23 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt and capital lease obligations of $3,957,903. Of this amount, $3,714,646 represents revenue bonds secured by water and sewer revenues. The City's capital lease obligations of $243,257 pertain to purchases of equipment.

City of Lacy Lakeview
Long-term Debt
September 30, 2021 and 2020

		Governmental Activities		Business-type Activities		Total	
		2021	2020	2021	2020	2021	2020
Revenue bonds payable	$	-	-	3,714,646	4,401,023	3,714,646	4,401,023
Capital lease obligations		225,772	328,421	17,485	34,424	243,257	362,845
Compensated absences		26,551	24,211	10,183	10,183	36,734	34,394
Net pension liability		748,651	1,176,350	276,898	413,312	1,025,549	1,589,662
Total OPEB liability		114,365	107,320	42,299	37,707	156,664	145,027
	$	1,115,339	1,636,302	4,061,511	4,896,649	5,176,850	6,532,951

The City's total long-term debt decreased by $1,356,101 (21%) during the current fiscal year. This change resulted primarily from scheduled principal payments on the City's outstanding debt and a decrease in the net pension liability. The City issued $1,251,000 general obligation refunding bonds to refund $1,195,000 of existing general obligation refunding bonds.

The City maintains an "AA-" rating from Standard and Poor's.

Economic Factors and Next Year's Budgets and Rates

At the end of the current fiscal year, unassigned fund balance for the general fund was $3,540,851. The City has not appropriated any of this amount for spending in the 2022 fiscal year budget. The 2022 fiscal year budget of $3,990,878 for the general fund is a balanced budget.

Requests for Information

This financial report is designed to provide a general overview of the City of Lacy Lakeview'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 contact the City Secretary, at 501 East Craven, Lacy Lakeview, Texas 76705 or call 254-799-2458.

Basic Financial Statements

City of Lacy Lakeview, Texas

Statement of Net Position

September 30, 2021

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and cash equivalents	$ 5,634,218	995,046	6,629,264
Receivables	539,761	341,391	881,152
Prepaid expenses	423	86	509
Internal balances	(332,129)	332,129	-
Restricted cash	-	3,938,640	3,938,640
Capital assets not being depreciated:			
Land	201,196	53,686	254,882
Capital assets, net of accumulated depreciation			
Buildings	614,440	-	614,440
Improvements other than buildings	554,830	-	554,830
Machinery and equipment	274,752	50,511	325,263
Water system	-	1,150,764	1,150,764
Sewer system	-	3,277,160	3,277,160
Total assets	7,487,491	10,139,413	17,626,904
Deferred Outflows of Resources			
Deferred outflows of resources	233,203	166,379	399,582
Liabilities			
Accounts payable	51,954	379,813	431,767
Accrued liabilities	67,822	18,514	86,336
Customer deposits	1,050	236,135	237,185
Accrued interest payable	7,505	15,819	23,324
Unearned revenue	832,684	-	832,684
Noncurrent liabilities:			
Due within one year	114,319	776,485	890,804
Due in more than one year	1,001,020	3,285,026	4,286,046
Total liabilities	2,076,354	4,711,792	6,788,146
Deferred Inflows of Resources			
Deferred inflows of resources	483,971	179,004	662,975
Net Position			
Net investment in capital assets	1,411,941	4,128,621	5,540,562
Restricted:			
Public safety	46,785	-	46,785
Culture and recreation	1,221,452	-	1,221,452
Debt service	-	91,017	91,017
Unrestricted	2,480,191	1,195,358	3,675,549
Total net position	$ 5,160,369	5,414,996	10,575,365

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Statement of Activities

Year Ended September 30, 2021

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
General government	$ 342,634	148,838	-	-	(193,796)	-	(193,796)
Public safety	2,003,583	-	-	-	(2,003,583)	-	(2,003,583)
Streets	357,443	-	-	-	(357,443)	-	(357,443)
Municipal court	182,338	58,513	-	-	(123,825)	-	(123,825)
Culture and recreation	341,888	-	-	-	(341,888)	-	(341,888)
Interest on long-term debt	8,174	-	-	-	(8,174)	-	(8,174)
Total governmental activities	3,236,060	207,351	-	-	(3,028,709)	-	(3,028,709)
Business-type activities:							
Water and sewer	3,054,749	3,261,883	-	-	-	207,134	207,134
Total business-type activities	3,054,749	3,261,883	-	-	-	207,134	207,134
Total	$ 6,290,809	3,469,234	-	-	(3,028,709)	207,134	(2,821,575)
General revenues:							
Property taxes					1,502,018	-	1,502,018
Sales taxes					1,683,607	-	1,683,607
Franchise taxes					318,740	-	318,740
Hotel/motel taxes					475,672	-	475,672
Other					129,352	40,205	169,557
Interest income					18,045	2,687	20,732
Transfers					(228,270)	228,270	-
Total general revenues and transfers					3,899,164	271,162	4,170,326
Change in net position					870,455	478,296	1,348,751
Net position - beginning of year					4,289,914	4,936,700	9,226,614
Net position - ending					$ 5,160,369	5,414,996	10,575,365

City of Lacy Lakeview, Texas

Balance Sheet –
Governmental Funds

September 30, 2021

		General	Hotel - Motel	Grant	Total Governmental Funds
Assets					
Cash and investments	$	3,612,373	1,185,976	835,869	5,634,218
Receivables (net of allowance for uncollectibles);					
Taxes		323,782	158,161	-	481,943
Others		57,818	-	-	57,818
Prepaid expenses		423	-	-	423
Total assets	$	3,994,396	1,344,137	835,869	6,174,402
Liabilities					
Accounts payable	$	48,769	-	3,185	51,954
Accrued liabilities		67,822	-	-	67,822
Customer deposits payable		1,050	-	-	1,050
Unearned revenue		-	-	832,684	832,684
Due to other funds		209,444	122,685	-	332,129
Total liabilities		327,085	122,685	835,869	1,285,639
Deferred Inflows of Resources					
Unavailable revenue		79,252	-	-	79,252
Fund Balances					
Nonspendable		423	-	-	423
Restricted		46,785	1,221,452	-	1,268,237
Unassigned		3,540,851	-	-	3,540,851
Total fund balances		3,588,059	1,221,452	-	4,809,511
Total liabilities, deferred inflows of resources, and fund balances	$	3,994,396	1,344,137	835,869	6,174,402

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

September 30, 2021

Total fund balances	$ 4,809,511
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,645,218
Deferred inflows of resources are not available to pay current period expenditures and, therefore, are deferred in the funds.	79,252
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(1,373,612)
Net position of governmental activities	$ 5,160,369

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds

Year Ended September 30, 2021

	General	Hotel - Motel	Grant	Total Governmental Funds
Revenue:				
Taxes:				
Property	$ 1,495,729	-	-	1,495,729
Sales	1,683,607	-	-	1,683,607
Franchise	318,740	-	-	318,740
Other	9,756	475,672	-	485,428
License and permits	41,449	-	-	41,449
Fines and forfeitures	64,442	-	-	64,442
Charges for services	107,389	-	-	107,389
Interest income	15,685	2,360	-	18,045
Miscellaneous	119,596	-	-	119,596
Total revenue	3,856,393	478,032	-	4,334,425
Expenditures:				
Current:				
General government	341,093	-	-	341,093
Public safety	2,049,373	-	-	2,049,373
Streets	344,108	-	-	344,108
Municipal court	192,741	-	-	192,741
Cultural and recreation	105,177	238,141	-	343,318
Debt service:				
Principal	102,561	-	-	102,561
Interest	11,598	-	-	11,598
Capital outlay	152,338	-	-	152,338
Total expenditures	3,298,989	238,141	-	3,537,130
Excess (deficiency) of revenue over (under) expenditures	557,404	239,891	-	797,295
Other financing sources (uses):				
Transfers out	(228,270)	-	-	(228,270)
Total other financing sources (uses)	(228,270)	-	-	(228,270)
Net changes in fund balances	329,134	239,891	-	569,025
Fund balances, beginning of year	3,258,925	981,561	-	4,240,486
Fund balances, at end of year	$ 3,588,059	1,221,452	-	4,809,511

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities

Year Ended September 30, 2021

Net change in fund balances - total governmental funds	$	569,025
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital asset additions ($139,202) exceeded depreciation expense ($105,981) in the current period.		33,221
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds		360
The issuance of long-term debt (e.g., bonds, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		103,645
Governmental funds report contributions to pension/OPEB plans as expenditures, where as pension/OPEB expense is recognized in the statement of activities. This is the amount by which contributions exceeded pension/OPEB expense to the plans in the current period.		164,204
Change in net position of governmental activities	$	870,455

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Statement of Net Position
Proprietary Fund

September 30, 2021

	Business-type activities- Enterprise Fund Water and Sewer
Assets	
Current assets:	
Cash and investments	$ 995,046
Receivables (net of allowance for uncollectibles)	341,391
Due from other funds	332,129
Prepaid expenses	86
Total current assets	1,668,652
Noncurrent assets:	
Restricted cash	3,938,640
Capital assets:	
Land	53,686
Water system	4,480,022
Sewer system	5,284,777
Equipment	893,949
Less: accumulated depreciation	(6,180,313)
Total capital assets, net	4,532,121
Total noncurrent assets	8,470,761
Total assets	10,139,413
Deferred Outflows of Resources	
Deferred outflows of resources	166,379

(Continued)

		Business-type activities- Enterprise Fund
		Water and Sewer
Liabilities		
Current liabilities:		
Accounts payable	$	379,813
Accrued liabilities		34,333
Payable from restricted assets:		
Customer deposits		236,135
Revenue bonds - current		759,000
Capital leases - current		17,485
Total current liabilities		1,426,766
Noncurrent liabilities:		
Compensated absences		10,183
Net pension liability		276,898
OPEB liability		42,299
Revenue bonds payable		2,955,646
Total noncurrent liabilities		3,285,026
Total liabilities		4,711,792
Deferred Inflows of Resources		
Deferred inflows of resources		179,004
Net Position		
Invested in capital assets, net of related debt		4,128,621
Restricted for debt service		91,017
Unrestricted		1,195,358
Total net position	$	5,414,996

City of Lacy Lakeview, Texas

Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund

Year Ended September 30, 2021

	Business-type activities- Enterprise Fund Water and Sewer
Operating revenue:	
Charges for sales and services:	
Water sales	$ 2,010,418
Sewer charges	1,173,206
Other charges	78,259
Total operating revenues	3,261,883
Operating expenses:	
Costs of sales and services	1,492,713
Administration	1,239,360
Depreciation	194,961
Total operating expenses	2,927,034
Operating income	334,849
Nonoperating revenue (expenses):	
Interest expense	(88,037)
Bond issuance costs	(39,678)
Miscellaneous revenue	40,205
Interest revenue	2,687
Total nonoperating revenue (expenses)	(84,823)
Income before transfers	250,026
Transfers in	228,270
Change in net position	478,296
Net position, at beginning of year	4,936,700
Net position, at end of year	$ 5,414,996

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Statement of Cash Flows - Proprietary Fund

Year Ended September 30, 2021

	Business-type activities-Enterprise Fund
	Water and Sewer
Cash flows from operating activities:	
Receipts from customers and users	$ 3,305,092
Payments to suppliers	(1,931,484)
Payments to employees	(601,870)
Net cash provided by operating activities	771,738
Cash flows from noncapital financing activities:	
Transfers from other funds	228,270
Net cash provided by noncapital financing activities	228,270
Cash flows from capital and related financing activities:	
Miscellaneous revenue	40,205
Acquisition of capital assets	(548,437)
Principal paid on debt	(753,939)
Interest and fiscal charge paid on debt	(99,813)
Net cash used in capital and related financing activities	(1,361,984)
Cash flows from investing activities:	
Earnings on investments	2,687
Net cash provided by investing activities	2,687
Net decrease in cash and cash equivalents	(359,289)
Cash and cash equivalents, at beginning of year	5,292,975
Cash and cash equivalents, at end of year	$ 4,933,686
Cash flows from operating activities:	
Operating income	$ 334,849
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	194,961
Change in assets and liabilities:	
Decrease (increase) in assets:	
Due from other funds	(25,000)
Receivables	43,209
Prepaid expenses	7,816
Deferred outflows	(6,658)
Increase (decrease) in liabilities:	
Accounts payable	245,681
Accrued liabilities	4,900
Customer deposits	2,398
Net pension liability	(136,414)
OPEB liability	4,592
Deferred inflows	101,404
Net cash provided by operating activities	$ 771,738
Non-cash capital and related financial activities:	
Proceeds from issuance of refunding bonds used for payment of bond issuance costs and payment to refunded bond escrow agent	$ 1,251,000

See accompanying notes to financial statements.

City of Lacy Lakeview, Texas

Notes to Financial Statements

September 30, 2021

(1) Nature of Operations and Reporting Entity

The City of Lacy Lakeview, Texas (the "City") is a home-rule municipal corporation organized and existing under the provisions of the Constitution of the State of Texas. The City operates under a Council-Manager form of government and provides the following services: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services.

The accompanying financial statements present the City and any of its component units, entities for which the government is considered financially accountable. The City did not identify any entities for which it is financially accountable.

(2) Summary of Significant Accounting Policies

(a) 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 of the non-fiduciary activities of the primary government. 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 properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, and proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

(2) Summary of Significant Accounting Policies (continued)

(a) Government-wide and fund financial statements (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenue reported for the various functions concerned.

(b) Measurement focus, basis of accounting and financial statement presentation

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

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

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

Property taxes, sales taxes, franchise taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Fines and miscellaneous revenues are considered to be measurable and available only when cash is received by the City.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(b) Measurement focus, basis of accounting and financial statement presentation (continued)

The proprietary fund is reported using the *economic resources measurement focus,* and the *accrual basis of accounting*.

The City reports the following major governmental funds:

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

Hotel/Motel Fund – The fund is used to account for occupancy taxes collected and used to promote tourism that benefits the local hotels and motels.

Grant Fund – The fund is used to account for the resources received from the American Rescue Plan Act of 2021 to respond to and recover from the COVID-19 public health emergency.

The City reports the following major proprietary fund:

Water and Sewer Fund - The water and sewer fund accounts for the activities of the water distribution system, the sewage treatment plant, sewage pumping stations and collection systems.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

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 water and sewer enterprise funds are charges to customers for sales and services. The water and sewer funds also recognize as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise 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.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(c) Deposits and cash equivalents

The City's cash and cash equivalents for purposes of reporting cash flows of the proprietary fund consist of cash on hand, demand deposits, and deposits in the City's internal cash and public funds investment pools.

State statutes authorize the City to invest in U.S. Treasury and agency securities, commercial paper, guaranteed investment contracts, repurchase agreements, and certain governmental investment pools. The City's local investment policy limits the City to invest in U.S. Treasury and agency securities, certificates of deposit, fully collateralized repurchase agreements secured by U.S. Treasury and agency securities, and public funds investment pools.

Investments are reported at fair value, except for public funds investment pools. The public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the amortized cost of the pool shares.

(d) Receivables and payables

Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" or "advances to/from other funds." All other outstanding balances between funds are reported as "due to/from other funds."

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 120 days comprise the trade accounts receivable allowance for uncollectibles.

(e) Prepaid expenses

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.

(f) Restricted assets

Restricted cash accounts in the water and sewer fund are used to report (1) unspent bond proceeds, (2) customer deposits, and (3) bond reserve funds.

(2) Summary of Significant Accounting Policies (continued)

(g) Capital assets

Capital assets, which include land, buildings, improvements, machinery and equipment, and water and sewer facilities are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City has elected to report general infrastructure assets prospectively from October 1, 2003 as permitted by Governmental Accounting Standards Board Statement No. 34. Capital assets are defined by the City as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

Assets	Years
Buildings	50
Improvements other than buildings	10 - 50
Water and sewer systems	5 - 50
Machinery and equipment	5 - 10

(h) Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vacation and sick pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

(i) Pensions

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

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(i) Pensions (continued)

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.

(j) Other Post-Employment Benefits ("OPEB")

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

(k) Deferred outflows and inflows of resources

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

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

(l) Long-term obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(l) Long-term obligations (continued)

Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts 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.

(m) Fund balance

In the fund financial statements, governmental fund balances classified as restricted are balances with constraints placed on the use of resources by creditors, grantors, contributors, or laws or regulations of other governments. Fund balances classified as committed can only be used for specific purposes pursuant to constraints imposed by the City Council through a resolution. Assigned fund balances are constrained by the intent to be used for specific purposes but are neither restricted nor committed. Assignments are made by City management based upon City Council direction. The order of spending available resources is as follows: restricted, committed, assigned, and unassigned.

The following detail of fund balances by classification is shown for governmental funds:

	General	Hotel - Motel	Total
Fund balances:			
Nonspendable:			
Prepaid expenses	$ 423	-	423
Restricted for:			
Public safety	46,785	-	46,785
Culture and recreation	-	1,221,452	1,221,452
Unassigned	3,540,851	-	3,540,851
	$ 3,588,059	1,221,452	4,809,511

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(2) Summary of Significant Accounting Policies (continued)

(n) Net position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent bond proceeds.

Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. 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.

(o) Transfers

Transfers of $228,270 from the general fund to the water and sewer fund are used to finance certain water and sewer fund expenditures.

(3) Reconciliation of Government-wide and Fund Financial Statements

(a) Explanation of Certain Differences Between the Governmental Funds Balance Sheet and the Government-wide Statement of Net Position

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains, "long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds." The details of this $1,373,612 difference are as follows:

Accrued interest payable	$ 7,505
Capital leases	225,772
Compensated absences	26,551
Net pension/OPEB liability, and related deferred outflows of $233,203 and inflows of $483,971 (to be amortized as pension expense)	1,113,784
Net adjustment to reduce *fund balance - total government funds* to arrive at *net position - governmental activities*	$ 1,373,612

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(3) Reconciliation of Government-wide and Fund Financial Statements (continued)

(b) Explanation of Certain Differences Between the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Government-wide Statement of Activities

The governmental funds' statement of revenues, expenditures and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains, "The issuance of long-term debt (e.g., bonds, notes payable) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statements of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items." The details of this $103,645 difference are as follows:

Principal payments on capital leases	$ 102,649
Accrued interest	996
Net adjustment to increase *net changes in fund balances - total governmental funds* to arrive at *changes in net position of governmental activities*	$ 103,645

(4) Budgets and Budgetary Accounting

The City prepares its budget on a basis consistent with generally accepted accounting principles.

The following procedures are implemented by the City in establishing budgetary data:

- Prior to the beginning of each fiscal year, the Mayor submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget includes proposed expenditures and the means of financing those expenditures.

- Public hearings are conducted at which all interested persons' comments concerning the budget are heard.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(4) Budgets and Budgetary Accounting (continued)

- The budgets are then legally enacted by the City Council. Formal budgetary integration is employed for the general fund and hotel/motel fund.
- Budget revisions are made during the year.
- Actual expenditures and operating transfers out may not legally exceed budget appropriations at the individual function level. However, budgetary control is maintained at the department level.
- Actual expenditures exceeded budget amounts in public safety, principal payments, interest expense and capital outlay. These budget overages were funded by revenues in excess of budgeted amounts from sales taxes.

(5) Deposits and Investments

A summary of the City's cash and cash equivalents at September 30, 2021 follows:

Cash on hand	$	550
Cash in bank		9,016,020
Public funds investments pool:		
Texas Local Government Investment Pool ("TexPool")		1,551,334
Total cash and cash equivalents	$	10,567,904

TexPool. TexPool is a public funds investments pool created pursuant to an inter-local contract under the laws of the State of Texas and is governed by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. TexPool is governed by the Comptroller of Public Accounts through the Texas Treasury Safekeeping Trust Company. The Comptroller is the sole officer, director, and shareholder of the Trust Company. The Comptroller and the Texas Treasury Safekeeping Trust Company have contracted with Federated Investors, Inc. as administrator and investment manager for the TexPool portfolio. There are no maximum transaction amounts and withdrawals from TexPool may be made daily. TexPool uses amortized cost rather than fair value to report net position to compute share prices.

Custodial Credit Risk. The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. City policy requires all deposits to be fully secured in accordance with the Texas Government Code, Chapter 2257, by either surety bonds, letters of credit of the United States or its agencies and instrumentalities, or by eligible securities held by an independent third-party custodian.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(5) Deposits and Investments (continued)

For an investment, custodial credit risk is the risk that in the event of the failure of the counterparty, the City would not be able to recover the value of its investment or collateralized securities that are in the possession of an outside third party. The City's investment policy requires that the purchase of investment securities be settled on a delivery basis and that ownership of all securities be perfected in the name of the City.

Interest Rate Risk. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the City manages its exposure to declines in fair value by: (a) structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations, (b) investing operating funds primarily in shorter-term securities, (c) diversifying maturities and staggering purchase dates to minimize the impact of market movements over time. It is the City's policy not to invest in securities maturing more than one year from the date of purchase. For repurchase agreements, the maximum maturity is 90 days. At September 30, 2021, the weighted average maturity of TexPool is 37 days.

Credit risk. For an investment, credit risk is the risk that an investment issuer or other counterparty to an investment will not fulfill obligation. The City's investment policy limits investments in government investment pools to those that are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service. At September 30, 2021, TexPool is rated AAAm by Standard & Poor's.

(6) Receivables

Receivables as of September 30, 2021 for the City's individual major funds, including the applicable allowance for uncollectible accounts, are as follows:

	General	Hotel-Motel	Water and Sewer	Total
Receivables:				
Property taxes	$ 54,962	-	-	54,962
Sales taxes	268,820	-	-	268,820
Hotel occupancy taxes	-	158,161	-	158,161
Other	640,771	-	385,797	1,026,568
Gross receivables	964,553	158,161	385,797	1,508,511
Lease allowance for uncollectibles	582,953	-	44,406	627,359
	$ 381,600	158,161	341,391	881,152

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(6) Receivables (continued)

The appraisal of property within the City is the responsibility of the McLennan County Appraisal District (the "District"). The District is required under the Property Tax Code to assess all property on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of the property must be reviewed by the District every four years.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City. The net assessed value upon which the 2021 levy was based was $415,245,107.

Taxes are due by January 31 following the October 1 levy date. Current tax collections for the year ended September 30, 2021 were 99% of the tax levy.

(7) Interfund Receivables and Payables

The composition of interfund balances as of September 30, 2021, is as follows:

Receivable Fund	Payable Fund	Amount
Water and sewer	General	$ 209,444
Water and sewer	Hotel/motel	122,685
Total		$ 332,129

The outstanding balances between funds result mainly from the time lag between the dates that payments between funds were made.

(8) Capital Assets

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

	Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
Governmental activities:				
Capital assets, not depreciated:				
Land	$ 201,196	-	-	201,196
Total capital assets not being depreciated	201,196	-	-	201,196

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

		Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
Governmental activities: (continued)					
Capital assets, being depreciated:					
Buildings		1,123,686	-	-	1,123,686
Improvements other than buildings		1,202,096	-	-	1,202,096
Machinery and equipment		3,626,361	139,202	-	3,765,563
Total capital assets being depreciated		5,952,143	139,202	-	6,091,345
Less: accumulated depreciation for:					
Buildings		487,709	21,537	-	509,246
Improvements other than buildings		630,120	17,146	-	647,266
Machinery and equipment		3,423,513	67,298	-	3,490,811
Total accumulated depreciation		4,541,342	105,981	-	4,647,323
Total capital assets, being depreciated, net		1,410,801	33,221	-	1,444,022
Governmental activities capital assets, net	$	1,611,997	33,221	-	1,645,218
Business-type activities:					
Capital assets, not depreciated:					
Land	$	53,686	-	-	53,686
Total capital assets not being depreciated		53,686	-	-	53,686

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(8) Capital Assets (continued)

		Balance October 1, 2020	Additions	Deletions	Balance September 30, 2021
Business-type activities: (continued)					
Capital assets, being depreciated:					
Water system		4,454,712	25,310	-	4,480,022
Sewer system		4,770,511	514,266	-	5,284,777
Equipment		885,088	8,861	-	893,949
Total capital assets being depreciated		10,110,311	548,437	-	10,658,748
Less accumulated depreciation for:					
Water system		3,213,202	116,056	-	3,329,258
Sewer system		1,943,969	63,648	-	2,007,617
Equipment		828,181	15,257	-	843,438
Total accumulated depreciation		5,985,352	194,961	-	6,180,313
Total capital assets, being depreciated, net		4,124,959	353,476	-	4,478,435
Business-type activities capital assets, net	$	4,178,645	353,476	-	4,532,121

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

Governmental activities:		
General government	$	20,315
Public safety		53,797
Streets		26,463
Culture and recreation		5,406
Total depreciation expense - governmental activities	$	105,981
Business-type activities:		
Water and sewer	$	194,961

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities

Long-term liabilities consist of revenue bonds, capital leases, compensated absences, a net pension liability, and a total OPEB liability. The City issues revenue bonds to provide funds for the acquisition and construction of major capital facilities and pledges income derived from the acquired or constructed assets to pay debt service. For the governmental activities, compensated absences, the net pension liability, and total OPEB liability are generally liquidated by the general fund.

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

	October 1, 2020	Additions	Retirements	September 30, 2021	Due Within One Year
Governmental activities:					
Capital leases	$ 328,421	-	102,649	225,772	106,354
Compensated absences	24,211	2,340	-	26,551	7,965
Net pension liability	1,176,350	749,095	1,176,794	748,651	-
Total OPEB liability	107,320	23,666	16,621	114,365	-
Total governmental activities	$ 1,636,302	775,101	1,296,064	1,115,339	114,319
Business-type activities:					
Bonds payable:					
Revenue bonds	$ 4,315,000	1,251,000	1,932,000	3,634,000	759,000
Plus: deferred premiums	86,023	-	5,377	80,646	-
Total bonds payable	4,401,023	1,251,000	1,937,377	3,714,646	759,000
Capital leases	34,424	-	16,939	17,485	17,485
Compensated absences	10,183	-	-	10,183	-
Net pension liability	413,312	277,063	413,477	276,898	-
Total OPEB liability	37,707	10,739	6,147	42,299	-
Total business-type activities	$ 4,896,649	1,538,802	2,373,940	4,061,511	776,485

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

Business-type activities long-term liabilities at September 30, 2021, consisted of the following:

Series	Original Issue	Interest Rate	Debt Outstanding
2013 Combination tax revenue certificates of obligation	$ 1,540,000	2.20%	785,000
2015 Tax notes	2,000,000	1.69%	300,000
2016 Combination tax and revenue certificate of obligation	1,965,000	1.00% to 2.10%	1,550,000
2021 General obligation refunding bond	1,251,000	0..97%	999,000
			$ 3,634,000

The annual debt service requirements to be paid on business-type activities long term debt outstanding at September 30, 2021:

Year Ended September 30,	Principal	Interest	Total
2022	$ 759,000	71,980	830,980
2023	346,000	60,240	406,240
2024	343,000	54,603	397,603
2025	353,000	48,996	401,996
2026	359,000	43,241	402,241
2027-2031	889,000	140,255	1,029,255
2032-2036	585,000	53,700	638,700
	$ 3,634,000	473,015	4,107,015

Capital Leases Obligations

The City leases certain equipment under noncancelable capital leases that expire over the next four years. Assets under capital leases at September 30, 2021 consisted of the following:

Equipment	$ 477,489
Vehicles	171,694
Less: accumulated amortization	(567,527)
	$ 81,656

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(9) Long-Term Liabilities (continued)

The present values of future minimum capital lease payments as of September 30, 2021 are:

Fiscal Year		
2022	$	132,485
2023		98,687
2024		25,620
Total minimum lease payments		256,792
Less amounts representing interest at 3.39% to 5.29%		(13,535)
Obligations under capital leases	$	243,257

The City is required under provisions of the revenue bond ordinances to maintain interest and sinking funds adequate for payments of principal and interest and has pledged certain net operating revenues (after the payment of operation and maintenance expenses) of the water and sewer fund to repay $6.75 million in revenue bonds issued from 2013 to 2021. Proceeds from the bonds provided financing for the construction of water and sewer system facilities. The total principal and interest remaining to be paid on the bonds is $4.1 million. Principal and interest paid for the current year and total of pledged net operating revenues of the water and sewer fund were $834,500 and $136,948, respectively. The City is in compliance with all significant financial limitations and restrictions mentioned above.

Current Refunding of Debt

In June 2021, the City issued $1,251,000 of General Obligation Refunding Bonds Series 2021 to refund $1,195,000 of existing 2010 series general obligation refunding bonds. The true interest costs of the refunding bonds is 0.97% with a final maturity of August 2027. The reacquisition price exceeded the net carrying amount of the refunded debt by $80,125. The refunding transaction was undertaken to reduce total debt service payments by $66,497 over the next six years, resulting in an economic gain of $64,425.

(10) Defined Benefit Pension Plan

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System ("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 participating Texas cities.

(10) Defined Benefit Pension Plan (continued)

The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State of Texas. TMRS issues a publicly available annual comprehensive financial report ("ACFR") that can be obtained at www.tmrs.com.

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

Benefits Provided

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

At retirement, the benefit is calculated based on 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 also choose to receive a portion of their benefit as a partial lump sum distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

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

Inactive employees or beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	31
Active employees	47
	101

Contributions

Member contribution rates in TMRS are either 5%, 6%, or 7% of member's total compensation, 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 actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute 7% of their annual compensation during the fiscal year. The contribution rates for the City were 14.40% and 14.86% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were $340,950 and were equal to the required contributions.

(10) Defined Benefit Pension Plan (continued)

Net Pension Liability

The City's net pension liability was measured as of December 31, 2020, and the total pension liability 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 are used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate is applied, for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(10) Defined Benefit Pension Plan (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, the actuarial firm focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

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

Discount Rate: The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(10) Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability

		Increase (Decrease)		
		Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at December 31, 2019	$	9,523,204	7,933,542	1,589,662
Changes for the year:				
Service cost		375,962	-	375,962
Interest		646,147	-	646,147
Difference between expected and actual experience		(504,819)	-	(504,819)
Contributions - employer		-	324,765	(324,765)
Contributions - employee		-	157,873	(157,873)
Net investment income		-	602,816	(602,816)
Benefit payments, including refunds of employee contributions		(277,259)	(277,259)	-
Administrative expense		-	(3,897)	3,897
Other changes		-	(154)	154
Net changes		240,031	804,144	(564,113)
Balance at December 31, 2020	$	9,763,235	8,737,686	1,025,549

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 one percentage point lower (5.75%) or one percentage point higher (7.75%) than the current rate:

		1% Decrease in Discount Rate (5.75%)	Current Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability (asset)	$	2,682,720	1,025,549	(299,699)

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.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(10) Defined Benefit Pension Plan (continued)

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 $121,949.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 249,984	-
Differences between expected and actual experience	2,094	412,347
Change in assumptions	27,355	-
Difference between projected and actual earnings on pension plan investments, net	-	221,075
Total	$ 279,433	633,422

The $249,984 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 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:	
2021	$ (188,014)
2022	(95,492)
2023	(230,906)
2024	(89,561)
	$ (603,973)

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(11) Other Post-Employment Benefits ("OPEB")

Plan Description

The City also participates in a defined benefit group-term life insurance plan administered by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage by adopting an ordinance before November 1 of any year to be effective the following January 1. As the SDBF covers both active and retired members, with no segregation of assets, the SDBF does not meet the definition of a trust under paragraph 4 of Governmental Accounting Standards Board ("GASB") No 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* (i.e. no assets are accumulated for OPEB). As such, the SDBF is considered to be a single-employer unfunded OPEB plan with benefit payments treated as being equal to the City's yearly contributions for retirees.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is a fixed amount of $7,500.

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

Inactive employees current receiving benefits	16
Inactive employees entitled to but not yet receiving benefits	8
Active employees	47
	71

Contributions

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

The City's contributions to the SDBF for the year ended September 30, 2021 were $902, and were equal to the required contributions.

Total OPEB Liability

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

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(11) Other Post-Employment Benefits ("OPEB") (continued)

Actuarial assumptions: The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Discount rate	2.00% (based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2020)
Administrative expenses	All administrative expenses are paid through the TMRS Pension Trust.

Mortality rates for service retirees were based on the 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. For disabled retirees, the 2019 Municipal Retirees of Texas Mortality Tables were used with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

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.

The changes in the total OPEB liability for the measurement period ending December 31, 2020 was as follows:

		Total OPEB Liability
Balance at December 31, 2019	$	145,027
Changes for the year:		
Service cost		7,668
Interest		4,081
Differences between expected and active experience		(21,866)
Changes in assumptions or other inputs		22,656
Benefit payments **		(902)
Net changes		11,637
Balance at December 31, 2020	$	156,664

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

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(11) Other Post-Employment Benefits ("OPEB") (continued)

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 one percentage point lower (1.00%) or one percentage point higher (3.00%) than the current rate:

	1% Decrease in Discount Rate (1.00%)	Current Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's total OPEB liability	$ 195,145	156,664	127,445

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 $13,892.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 902	-
Differences between expected and actual experience	-	25,310
Changes in assumptions	39,122	4,243
Total	$ 40,024	29,553

The $902 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2021	$ 2,143
2022	1,710
2023	1,083
2024	3,465
2025	1,128
Thereafter	40
	$ 9,569

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(12) Deferred Outflows and Inflows of Resources

The statement of financial position and the balance sheet includes the following deferred outflows/inflows of resources at September 30, 2021:

		Statements of Net Position		Balance Sheet
		Governmental Activities	Business-Type Activities	General
Deferred outflows of resources:				
Deferred charge on refunding	$	-	80,125	-
Net pension liability		203,986	75,447	-
Total OPEB liability		29,217	10,807	-
	$	233,203	166,379	-
Deferred inflows of resources:				
Unavailable property tax revenues	$	-	-	54,962
Unavailable fine and forfeiture revenue		-	-	24,290
Net pension liability		462,398	171,024	-
Total OPEB liability		21,573	7,980	-
	$	483,971	179,004	79,252

Deferred Outflows of Resources: The deferred charge on refunding, resulting from the difference in the carrying value of refunded debt and its reacquisition price, is amortized over the shorter of the life of the refunded debt or refunding debt. Post-measurement date contributions will be recognized as a reduction of the net pension and total OPEB liability in the following fiscal year. The pension related differences between expected and actual experience and the pension and OPEB related change in assumptions will be amortized into pension/OPEB expense.

Deferred Inflows of Resources: The governmental funds, under the modified accrual basis of accounting, report unavailable revenues from property taxes and fines and forfeitures, which is deferred and recognized as an inflow of resources, in the period that the amounts become available. The pension and OPEB related differences between expected and actual experience, and the pension related change in assumptions and difference in projected and actual earnings on pension plan investments, net, will be amortized into pension/OPEB expense.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(13) Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City has joined together with other governments in Texas to form the Texas Municipal League Intergovernmental Risk Pool, a public entity risk pool currently operating as a common risk management and insurance program for liability, property, and workmen's compensation coverages. The City pays a quarterly contribution to the Pool for its insurance coverage. The agreement for formation of the Texas Municipal League Intergovernmental Risk Pool provides that the Pool will be self-sustaining through member contributions and will reinsure through commercial companies for claims in excess of specific limits.

The Texas Municipal League Intergovernmental Risk Pool has published its own financial report, which can be obtained by writing the Texas Municipal League Intergovernmental Risk Pool, 1821 Rutherford Lane, Austin, Texas 78754.

(14) Commitments and Contingencies

The City has contracted with a private company for the collection and disposal of refuse. The City negotiated a collection contract, with an effective date of August 1, 2016, for a term of five years, with the option to renew and extend the contract for another three years. The contract has been extended until July 31, 2026. Under the terms of the contract, the City will be responsible for billing and collection of all waste collection fees and will pay collection fees to the companies on a monthly basis as authorized in the contract regardless of the amount collected from residents.

(15) Tax Abatements

The City negotiates property tax abatements on an individual basis. All abatements are governed by Section 312 of the Texas Tax Code and the City of Lacy Lakeview Guidelines and Policy Statement which are revised and adopted every two years in accordance with state law. These guidelines permit the City to abate property taxes for a variety of economic development purposes such as business relocation, retention, and expansion and include abatements for real and personal property improvements.

City guidelines generally limit abatements to periods up to ten years. Abatements may be granted up to 100% of taxable values through a direct reduction of the applicant's property tax bill based upon the location of the property, square footage of the property, and/or the type of economic development commitments made to the City. Each abatement is supported by an agreement that enumerates the criteria under which compliance will be assessed annually and the manner in which tax revenue may be recaptured if the stated criteria are not met. Examples of compliance requirements and related commitments by recipients include addition of total minimum number of full-time jobs and minimum number of jobs for residents of the City as well as property improvement values.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(15) Tax Abatements (continued)

The City has not made any commitments as part of the agreements other than to reduce taxes, and they are not subject to any tax abatement agreements entered into by other governmental entities or by component units.

(16) Authoritative Pronouncements Not Yet Effective

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB) which may impact the City but are not yet effective follows. The City has not yet determined the effects of the adoption on its financial statements.

GASB Statement No. 87, *Leases* (Statement 87) – The objective of Statement 87 is to increase the usefulness of governments' financial statements by requiring reporting of certain lease liabilities that currently are not reported. It will enhance comparability of financial statements among governments by requiring lessees and lessors to report leases under a single model. The statement will also require notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of Statement 87 were effective for financial statements for periods beginning after December 15, 2019; however, in May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* (Statement 95), and delayed implementation to fiscal years beginning after June 15, 2021.

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (Statement 89) – The objective of Statement 89 is to simplify accounting for interest cost incurred before the end of a construction period. It will enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period. The provisions of Statement 89 were effective for financial statements for periods beginning after December 15, 2019; however, in May 2020, GASB issued Statement 95 and delayed implementation to fiscal years beginning after December 15, 2020.

GASB Statement No. 91, *Conduit Debt Obligations* (Statement 91) – The objective of this statement is to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2020.

City of Lacy Lakeview, Texas

Notes to Financial Statements
(Continued)

(16) Authoritative Pronouncements Not Yet Effective (continued)

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (Statement 96) – The objective of this statement is to provide guidance for subscription based information technology arrangements (SBITA). It will define SBITA contracts, provide guidance on the accounting for the SBITAs, and require disclosures regarding the SBITAs. The requirements of this statement are effective for financial statements for fiscal years beginning after June 15, 2022.

GASB Statement No. 101, *Compensated Absences* (Statement 101) – The objective of this statement is to better meet the information needs of financial statement users by aligning recognition and measurement under a unified model and amending certain previously required disclosures. The requirements of this statement are effective for financial statements for fiscal years beginning after December 15, 2023.

Required Supplementary Information

City of Lacy Lakeview, Texas

Schedule of Revenues, Expenditures and Changes in Fund Balance –
Budget and Actual – General Fund

Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Taxes:				
Property	$ 1,438,234	1,438,234	1,495,729	57,495
Sales	1,500,000	1,500,000	1,683,607	183,607
Franchise	350,000	350,000	318,740	(31,260)
Other	15,000	15,000	9,756	(5,244)
License and permits	45,590	45,590	41,449	(4,141)
Fines and forfeitures	65,000	65,000	64,442	(558)
Charges for services	82,618	82,618	107,389	24,771
Interest income	23,900	23,900	15,685	(8,215)
Miscellaneous	61,530	61,530	119,596	58,066
Total revenue	3,581,872	3,581,872	3,856,393	274,521
Expenditures:				
Current:				
General government	647,734	647,734	341,093	306,641
Public safety	2,185,316	2,185,316	2,049,373	135,943
Streets	343,376	343,376	344,108	(732)
Municipal court	205,266	205,266	192,741	12,525
Culture and recreation	119,132	119,132	105,177	13,955
Debt service:				
Principal	108,048	108,048	102,561	5,487
Interest	-	-	11,598	(11,598)
Capital outlay	23,000	23,000	152,338	(129,338)
Total expenditures	3,631,872	3,631,872	3,298,989	332,883
Excess of revenue over expenditures	(50,000)	(50,000)	557,404	607,404
Other financing sources (uses):				
Transfers in	50,000	50,000	(228,270)	(278,270)
Total other financing sources (uses)	50,000	50,000	(228,270)	(278,270)
Change in fund balance	-	-	329,134	329,134
Fund balance, at beginning of year	3,258,925	3,258,925	3,258,925	-
Fund balance, at end of year	$ 3,258,925	3,258,925	3,588,059	329,134

See accompanying independent auditors' report.

City of Lacy Lakeview, Texas

Schedule of Revenues, Expenditures and Changes
in Fund Balance –Budget and Actual – Hotel – Motel Fund

Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenue:				
Taxes:				
Hotel - motel	$ 400,000	400,000	475,672	75,672
Interest income	300	300	2,360	2,060
Total revenue	400,300	400,300	478,032	77,732
Expenditures:				
Current:				
Culture and recreation	400,300	400,300	238,141	162,159
Total expenditures	400,300	400,300	238,141	162,159
Excess (deficiency) of revenue over (under) expenditures	-	-	239,891	239,891
Fund balance, at beginning of year	981,561	981,561	981,561	-
Fund balance, at end of year	$ 981,561	981,561	1,221,452	239,891

City of Lacy Lakeview, Texas

Schedule of Changes in Net Pension Liability and Related Ratios

Last Seven Measurement Dates

	December 31,						
Total Pension Liability	2020	2019	2018	2017	2016	2015	2014
Service cost	$ 375,962	367,766	345,176	339,092	327,117	302,835	256,056
Interest (on the Total Pension Liability)	646,147	595,744	557,342	520,430	486,105	455,126	409,373
Difference between expected and actual experience	(504,819)	3,724	(35,834)	(41,218)	(116,697)	97,765	161,622
Change of assumptions	-	48,643	-	-	-	20,788	-
Benefit payments, including refunds of employee contributions	(277,259)	(269,267)	(348,832)	(200,184)	(187,802)	(190,001)	(203,653)
Net change in Total Pension Liability	240,031	746,610	517,852	618,120	508,723	686,513	623,398
Total Pension Liability - beginning	9,523,204	8,776,594	8,258,742	7,640,622	7,131,899	6,445,386	5,821,988
Total Pension Liability - ending (a)	$ 9,763,235	9,523,204	8,776,594	8,258,742	7,640,622	7,131,899	6,445,386
Plan Fiduciary Net Position							
Contributions - employer	$ 324,765	321,431	303,182	302,308	271,364	261,812	240,146
Contributions - employee	157,873	156,687	146,973	144,646	139,879	135,453	131,638
Net investment income	602,816	1,035,889	(203,860)	798,931	350,949	7,349	260,564
Benefit payments, including refunds of employee contributions	(277,259)	(269,267)	(348,832)	(200,184)	(187,802)	(190,001)	(203,653)
Administrative expense	(3,897)	(5,848)	(3,938)	(4,137)	(3,961)	(4,476)	(2,720)
Other	(154)	(174)	(206)	(210)	(213)	(220)	(224)
Net change in Plan Fiduciary Net Position	804,144	1,238,718	(106,681)	1,041,354	570,216	209,917	425,751
Plan Fiduciary Net Position - Beginning	7,933,542	6,694,824	6,801,505	5,760,151	5,189,935	4,980,018	4,554,267
Plan Fiduciary Net Position - ending (b)	$ 8,737,686	7,933,542	6,694,824	6,801,505	5,760,151	5,189,935	4,980,018
Net Pension Liability - ending (a) - (b)	$ 1,025,549	1,589,662	2,081,770	1,457,237	1,880,471	1,941,964	1,465,368
Plan Fiduciary Net Position as a percentage of Total Pension Liability	89.50%	83.31%	76.28%	82.36%	75.39%	72.77%	77.26%
Covered-employee payroll	$ 2,255,323	2,238,384	2,099,611	2,066,375	1,998,269	1,935,048	1,869,604
Net Pension Liability as a percentage of covered-employee payroll	45.47%	71.02%	99.15%	70.52%	94.10%	100.36%	78.38%

Note: Effective October 1, 2014, the City adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 68. Information for years prior to 2014 is not available.

City of Lacy Lakeview, Texas

Schedule of Pension Contributions

Fiscal Years Ended

	September 30, 2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	$ 340,950	329,636	311,789	304,636	300,208	271,831	260,015
Contributions in relation to the actuarially determined contribution	340,950	329,636	311,789	304,636	300,208	271,831	260,015
Contribution deficiency (excess)	$ -	-	-	-	-	-	-
Covered-employee payroll	$ 2,279,249	2,257,945	2,099,595	2,066,375	1,998,269	1,935,048	1,869,604
Contributions as a percentage of covered-employee payroll	14.96%	14.60%	14.85%	14.74%	15.02%	14.05%	13.91%

Notes to Schedule of Pension Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP
Other	There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions, An Amendment of GASB Statement No. 27,* effective October 1, 2014. Information for years prior to 2015 is not available.

City of Lacy Lakeview, Texas

Schedule of Changes in Total OPEB Liability and Related Ratios

Last Four Measurement Dates

	December 31,			
Total OPEB Liability	2020	2019	2018	2017
Service cost	$ 7,668	6,267	6,719	5,786
Interest (on the Total OPEB Liability)	4,081	4,339	4,143	3,973
Differences between expected and actual experience	(21,866)	(3,662)	(9,215)	
Change of assumptions	22,656	24,705	(8,857)	10,463
Benefit payments **	(902)	(895)	(630)	(620)
Net change in Total OPEB Liability	11,637	30,754	(7,840)	19,602
Total OPEB Liability - beginning	145,027	114,273	122,113	102,511
Total OPEB Liability - ending	$ 156,664	145,027	114,273	122,113
Covered-employee payroll	$ 2,255,323	2,238,384	2,099,611	2,066,375
Total OPEB Liability as a percentage of covered-employee payroll	6.95%	6.48%	5.44%	5.91%

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

Note: The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions* (OPEB) effective October 1, 2017. Information for years prior to 2017 is not available

City of Lacy Lakeview, Texas

Schedule of OPEB Contributions

Fiscal Years Ended

		September 30,			
		2021	2020	2019	2018
Actuarially determined contribution	$	902	895	630	620
Contributions in relation to the actuarially determined contribution		902	895	630	620
Contribution deficiency (excess)	$	-	-	-	-
Covered-employee payroll	$	2,279,249	2,257,945	2,099,595	2,066,375
Contributions as a percentage of covered-employee payroll		0.04%	0.04%	0.03%	0.03%

Notes to Schedule of OPEB Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Inflation	2.50%
Salary Increases	3.50% to 11.50%, including inflation
Discounted Rate	2.75%
Retirees' share of benefit-related costs	$-0-
Administrative expenses	All administrative expenses are paid through the Pension Trust of TMRS and are accounted for under reporting requirements under GASB Statement No. 68.
Mortality – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are Projected on a fully generational basis with Scale UMP.
Mortality – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and 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.
Other	There were no benefit changes during the year.

Note: The City implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefit Other than Pensions* (OPEB) effective October 1, 2017. Information for years prior to 2018 is not available.