OFFICIAL STATEMENT DATED MAY 17, 2022

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

NEW ISSUE: BOOK-ENTRY ONLY

RATINGS:
Moody's (Underlying) .... "A1"
S&P (Insured).. "AA"
See "MUNICIPAL BOND RATING" and "MUNICIPAL BOND INSURANCE"

$8,000,000
CITY OF WALLER, TEXAS
(A Political Subdivision of the State of Texas located in Waller and Harris Counties, Texas)
CERTIFICATES OF OBLIGATION
SERIES 2022

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

Dated: **Date of Delivery** Due: August 1, as shown below

The $8,000,000 City of Waller, Texas, Certificates of Obligation, Series 2022 (the "Certificates") are being issued by the City of Waller, Texas (the "City") pursuant to the constitution and general laws of the State of Texas, including subchapter C of Chapter 271, Texas Government Code and an ordinance (the "Ordinance") adopted by the City Council of the City on Tuesday, May 17, 2022. See "THE CERTIFICATES – Authority for Issuance."

Principal of and interest on the Certificates are payable by The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, the paying agent/registrar (the "Paying Agent/Registrar"). The Certificates are initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, Net York ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Certificates. See "THE CERTIFICATES – Book-Entry-Only System" herein. Interest on the Certificates will accrue from the Date of Delivery (as defined below) to the Underwriter identified below (the "Underwriter") and be payable on August 1 and February 1 of each year, commencing August 1, 2022, to the registered owners (initially Cede & Co.) appearing on the registration books of the Paying Agent/Registrar on the 15th day of the month preceding each interest payment date (the "Record Date"). See "THE CERTIFICATES – Description."

The Certificates are payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against taxable property within the City and from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system in an amount not to exceed $1,000. See "THE CERTIFICATES – Authority for Issuance."

Proceeds from the sale of the Certificates will be used to pay all or any part of the costs associated with the (i) construction of improvements to and the equipment of the City's waterworks and sanitary sewer system, (ii) construction of improvements to and the equipment of streets, roads, sidewalks and related infrastructure; and (iii) costs of professional services related thereto. The Certificates will also be used to pay the cost of professional services incurred in connection therewith. See "THE CERTIFICATES – Purpose."

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY. See "MUNICIPAL BOND INSURANCE" herein.

PRINCIPAL AMOUNTS, MATURITIES, INTEREST RATES, PRICES AND CUSIP NUMBERS

Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield [a]	CUSIP Nos. 932457 [b]	Due (August 1)	Principal Amount	Interest Rate	Initial Reoffering Yield [a]	CUSIP Nos. 932457 [b]
2024	$45,000	4.000%	2.750%	GG3	2026	$45,000	4.000%	3.000%	GJ7
2025	35,000	4.000%	2.950%	GH1	2027	40,000	4.000%	3.100%	GK4

$165,000 Term Certificate due August 1, 2032 [c][d] Interest Rate 4.000% Initial Yield 3.550% [a] CUSIP No. 932457GL2 [c]
$455,000 Term Certificate due August 1, 2036 [c][d] Interest Rate 4.000% Initial Yield 3.700% [a] CUSIP No. 932457GM0 [c]
$425,000 Term Certificate due August 1, 2038 [c][d] Interest Rate 4.000% Initial Yield 3.800% [a] CUSIP No. 932457GN8 [c]
$855,000 Term Certificate due August 1, 2042 [c][d] Interest Rate 4.000% Initial Yield 4.050% [a] CUSIP No. 932457GP3 [c]
$5,935,000 Term Certificate due August 1, 2051 [c][d] Interest Rate 4.250% Initial Yield 4.500% [a] CUSIP No. 932457GR9 [c]

(a) The initial reoffering yields on the Certificates are established by, and are the sole responsibility of the Underwriter, and may subsequently be changed. Initial yields on premium certificates are calculated to the earlier of maturity or the first optional redemption date.

(b) CUSIP is a registered trademark of the American Bankers Association. CUSIP data contained herein is provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of The American Bankers Association and are included solely for convenience of the registered owners of the Certificates. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. CUSIP numbers are provided for convenience of reference only. None of the Issuer, the Financial Advisor, or the Underwriter are responsible for the accuracy of such number.

(c) Certificates maturing on or after August 1, 2028 are subject to redemption prior to maturity at the option of the City, in whole or from time to time in part, on August 1, 2027 or on any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. See "THE CERTIFICATES – Redemption Provisions."

(d) The Term Certificates (as hereinafter defined) are subject to mandatory sinking fund redemption on August 1 in the years and in the amounts set forth herein under the caption "THE CERTIFICATES – Redemption Provisions."

The Certificates are offered when, as and if issued, subject to the approving opinion of the Attorney General of the State of Texas and the opinion of Bracewell LLP, Houston, Texas, Bond Counsel for the City. See "FORM OF LEGAL OPINION." Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston Texas, as Underwriter's Counsel. See "LEGAL MATTERS." It is expected that the Certificates will be available for delivery through the facilities of DTC on or about June 16, 2022 (the "Date of Delivery").

BOK FINANCIAL SECURITIES, INC.

City of Waller, Texas

(A Political Subdivision of the State of Texas located in Waller and Harris Counties, Texas)

City Council	**Length of Service**
Honorable Danny L. Marburger, Mayor	43 years
Dwayne Hajek, Mayor Pro Tem	13 years
Nancy Arnold, Council Member	13 years
Edna Eaton, Council Member	8 years
Mike McCormick, Council Member	7 years
Jason Tones, Council Member	5 years

Appointed Officials	**Length of Service**
Cynthia Ward, City Secretary	7 years
Gene Schmidt, Superintendent of Public Works	30 years
Maryann Carl, Finance Officer	3 years

Consultants and Advisors

Bracewell LLP, Houston, Texas	Bond Counsel
Belt Harris Pechacek, L.L.L.P.	Auditor
RBC Capital Markets, LLC, Houston, Texas	Financial Advisor

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USE OF INFORMATION IN THE OFFICIAL STATEMENT

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

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

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

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

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

This Official Statement contains "Forward-Looking" statements. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

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

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

Build America Mutual Assurance Company ("BAM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE" and "APPENDIX C – Specimen Municipal Bond Insurance Policy."

OFFICIAL STATEMENT SUMMARY

This Official Statement Summary is subject in all respects to the more complete information and to the 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 official statement summary from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Waller, Texas (the "City"), is located approximately 45 miles northwest of downtown Houston, Texas on the Waller County/Harris County line. The City is bisected by U.S. Highway 290, a principal traffic artery in northwest Harris County and a major route between Houston and Austin. The city was incorporated in 1947 as a general law city.
The Certificates	$8,000,000 City of Waller, Texas Certificates of Obligation, Series 2022 (the "Certificates"). See "THE CERTIFICATES."
Description	The Certificates are dated as of the June 16, 2022 (the "Dated Date"). Interest on the Certificates will accrue from the Dated Date and be payable August 1 and February 1 of each year, commencing August 1, 2022. The Certificates are offered in fully registered form in multiples of $5,000 in principal amount.
Authority for Issuance	The Certificates are 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 an ordinance adopted by the City Council of the City on May 17, 2022 authorizing their issuance (the "Ordinance"). See "THE CERTIFICATES – Authority for Issuance."
Security for Payment	The Certificates are direct obligations of the City payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against taxable property within the City and from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system, in an amount not to exceed $1,000. See "THE CERTIFICATES – Security and Source of Payment."
Redemption..................	The Certificates maturing on or after August 1, 2028 are subject to redemption prior to maturity, at the option of the City, in whole or from time to time in part, on August 1, 2027, or on any date thereafter. Upon redemption, the Certificates will be payable at a price equal to the principal amount of the Certificates, or portions thereof so called for redemption, plus accrued interest to the date of redemption. See "THE CERTIFICATES – Redemption Provisions." The Certificates issued as Term Certificates (defined herein) are subject to mandatory sinking fund redemption on August 1 in the years and in the amounts set forth herein under the caption "THE CERTIFICATES – Redemption Provisions."

Use of Proceeds	Proceeds from the sale of the Certificates will be used to pay all or any part of the (i) construction of improvements to and the equipment of the City's waterworks and sanitary sewer system, (ii) construction of improvements to and the equipment of streets, roads, sidewalks and related infrastructure; and (iii) costs of professional services related thereto. See "THE CERTIFICATES – Purpose."
Qualified Tax-Exempt Obligations	The City will designate the Certificates as "qualified tax-exempt obligations" for financial institutions. See "TAX MATTERS – Purchase of Tax-Exempt Obligations by Financial Institutions."
Tax Exemption	In the opinion of Bond Counsel, under existing law, the interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and is not a specific preference item for purposes of the alternative minimum tax. See "TAX MATTERS" herein.
Municipal Bond Ratings/Insurance	The City has made application to Moody's Investor Service ("Moody's") for an underlying rating on the outstanding debt of the City and Moody's has assigned a rating of "A1." It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to the Certificates with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Certificates will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer"). See "MUNICIPAL BOND RATING," "MUNICIPAL BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.
Book-Entry-Only	The Certificates are initially issuable in book-entry-only form and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, which will act as securities depository. Beneficial owners of the Certificates will not receive physical delivery of printed Certificates. See "THE CERTIFICATES – Book-Entry-Only System."
Payment Record	The City has never defaulted in the payment of its debt.

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SELECTED FINANCIAL INFORMATION
(Unaudited as of March 31, 2022)

2021 Certified Taxable Assessed Valuation (100% of Estimated Market Value)		$457,907,417	(a)
Direct Debt			
Outstanding Ad Valorem Tax Debt		$ 11,390,000	
Plus: The Certificates		8,000,000	
Total Direct Debt		$ 19,390,000	
Interest and Sinking Fund Balance (unaudited as of March 31, 2022)		$546,662	
Ratio of Direct Debt to 2021 Certified Assessed Valuation		4.23%	
2021 Tax Rate			
General Fund	$0.3966		
Debt Service Fund	0.1922		
Total		$0.5888/$100 A.V.	
Projected Annual Debt Service Requirements:			
Average (2022 – 2051)		$1,086,549	(b)
Maximum (2023)		$1,266,180	(b)
Average Percentage of Tax Collections (Tax Year 2017 – 2021):			
Total Collections		94.30%	
2022 Population		3,488	(c)

(a) Includes 2021 Certified Taxable Values, as certified by both the Waller County Appraisal District ("WCAD") and the Harris County Appraisal District ("HCAD"). Net of property subject to exemption.
(b) Includes the Certificates.
(c) City estimate.

OFFICIAL STATEMENT
relating to
$8,000,000
CITY OF WALLER, TEXAS
CERTIFICATES OF OBLIGATION,
SERIES 2022

INTRODUCTION

The Official Statement provides certain information in connection with the issuance by the City of Waller, Texas (the "City") of its $8,000,000 Certificates of Obligation, Series 2022 (the "Certificates") and the purchase of the Certificates by the underwriter listed on the cover page hereof (the "Underwriter").

The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and an ordinance (the "Ordinance") adopted by the City Council of the City on May 17, 2022.

There follows in this Official Statement descriptions of the Certificates, the Ordinance and certain information about the City and its financial condition. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City. Certain capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, except as otherwise indicated herein.

THE CERTIFICATES

Authority for Issuance

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

Security and Source of Payment

The Certificates are payable from the proceeds of a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City and from a limited pledge of a subordinate lien on the net revenues of the City's waterworks and sanitary sewer system in an amount not to exceed $1,000.

Purpose

Proceeds from the sale of the Certificates will be used to pay all or any part of the costs associated with the (i) construction of improvements to and the equipment of the City's waterworks and sanitary sewer system, (ii) construction of improvements to and the equipment of streets, roads, sidewalks and related infrastructure; and (iii) costs of professional services related thereto.

Redemption Provisions

Optional Redemption: The Certificates maturing on and after August 1, 2028 are subject to redemption prior to maturity, at the option of the City, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on August 1, 2027 or any date thereafter, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Certificates are to be redeemed, the City shall determine the principal amount and maturities (or mandatory sinking fund redemption amounts with respect to Term Certificates (as defined below)) to be redeemed and shall direct the Paying Agent/Registrar to select by lot or other customary method that results in a random selection, the Certificates or portions thereof within a maturity, to be redeemed.

Mandatory Redemption: The Certificates due on August 1 in the years 2032, 2036, 2038, 2042, and 2051 (the "Term Certificates") are subject to mandatory sinking fund redemption prior to scheduled maturity on August 1 in the years ("Mandatory Redemption Dates") and in the amounts set forth below, at a redemption price equal to the principal amount thereof plus accrued interest to the date of redemption:

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

Term Certificate 2032 – $165,000

Year of Redemption	Principal Amount
2028	$35,000
2029	35,000
2030	35,000
2031	35,000
2032 (maturity)	25,000

Term Certificate 2036 – $455,000

Year of Redemption	Principal Amount
2033	$20,000
2034	25,000
2035	205,000
2036 (maturity)	205,000

Term Certificate 2038 – $425,000

Year of Redemption	Principal Amount
2037	$210,000
2038 (maturity)	215,000

Term Certificate 2042 – $855,000

Year of Redemption	Principal Amount
2039	$220,000
2040	210,000
2041	210,000
2042 (maturity)	215,000

Term Certificate 2051 – $5,935,000

Year of Redemption	Principal Amount
2043	$430,000
2044	465,000
2045	480,000
2046	505,000
2047	520,000
2048	540,000
2049	955,000
2050	1,000,000
2051 (maturity)	1,040,000

Notice of Redemption

Not less than 30 days prior to a redemption date for the Certificates, the Paying Agent/Registrar shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Certificates to be redeemed, in whole or in part at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE REGISTERED OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Certificates under 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 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 where redemption has been rescinded shall remain outstanding and the rescission of such redemption shall not constitute an event of default.

The Depository Trust Company, New York, New York ("DTC"), will act as securities depository for the Certificates. The Paying Agent/Registrar and the City, so long as the book-entry-only system is used for the Certificates, will send any notice of redemption 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, shall not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC.

In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for 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.

Neither the City 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 "THE CERTIFICATES – Book-Entry-Only System."

Paying Agent/Registrar

The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (with any successor, the "Paying Agent/Registrar"), has been named to serve as initial Paying Agent/Registrar for the Certificates. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a legally qualified commercial bank, trust company, or other agency duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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 by 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, as applicable, upon presentation to the designated payment/transfer office of the Paying Agent/Registrar. If the date for the payment of the principal or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions 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, payments of principal of and interest on the Certificates will be made as described in "THE CERTIFICATES – Book-Entry-Only System," above.

Remedies in the Event of Default

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

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

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

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

In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to restrict the waiver of immunity when a city performs a proprietary function. The Court remanded the case so that the appellate court could rule on whether the contract at issue was proprietary or governmental. Wasson Interests, Ltd. v. City of Jacksonville, 559 S.W.3d 142 (Tex. 2019). On remand, the appellate court found for the City of Jacksonville by holding the contract claim arose from the City's performance of a governmental function, and thus the claim was barred by immunity. After granting Wasson's petition for review of the appellate decision, the Court held that to determine if the City was engaged in a proprietary or governmental function, the focus of the inquiry is on the nature of the contract at the time of execution, not the nature of the breach at the time of the breach.

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

Record Date for Interest Payment

Interest on the Certificates will be paid to the registered owner appearing on the registration and transfer books of the Paying Agent/Registrar at the close of business on the fifteenth calendar day of the month preceding such interest payment (the "Record Date") and shall be paid by the Paying Agent/Registrar (i) by check sent United States mail, first class postage prepaid, to the address of the registered owner recorded in the registration and transfer 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. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, a legal holiday, or a day when banking institutions in the city where the principal payment office of the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday, or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due.

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

Book-Entry-Only System

This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee's name. The information in this section concerning DTC and the book-entry-only system has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

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

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

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

A Beneficial Owner shall give notice to elect to have its Certificates purchased or tendered, through its Participant, to the Paying Agent/Registrar, and shall effect delivery of such Certificates by causing the Direct Participant to transfer the Participant's interest in the Certificates, on DTC's records, to the Paying Agent/Registrar. The requirement for physical delivery of Certificates in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Certificates are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Certificates to Paying Agent/Registrar's DTC account.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but City takes no responsibility for the accuracy thereof.

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

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

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 form, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the book-entry 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. Termination of the DTC Book-Entry-Only System may require consent of Direct Participants under DTC Operational Arrangements.

Registration, Transfer and Exchange

In the event the Book-Entry-Only System should be discontinued, the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar or its principal payment office and such transfer or exchange shall be without expenses or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the principal payment office of the

Paying Agent/Registrar, or sent by the United States mail, first class, postage prepaid, to the new registered owner or his designee. 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 in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 of principal amount for any one maturity and for a like aggregate principal amount as the Certificates or Certificates surrendered for exchange or transfer. See "THE CERTIFICATES – Book-Entry-Only System" herein defined for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates.

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any certificate or portion thereof called for redemption prior to maturity within 45 days prior to its redemption date.

Mutilated, Lost, Stolen or Destroyed Certificates

If any Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated Certificate. In the case of any Certificate issued in lieu of an substitution for a Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them (c) upon paying such expenses and charges as the Paying Agent/Registrar may incur in connection therewith and (d) satisfying any other reasonable requirements imposed by the City and Paying Agent/Registrar.

Sources and Uses of Funds

Sources of Funds:	
Par Amount of Certificates	$8,000,000.00
Net Original Issue Discount	(226,398.00)
Total Sources of Funds	$7,773,602.00
Uses of Funds:	
Deposit to Project Fund	$7,572,195.05
Cost of Issuance [(a)]	113,625.00
Underwriter's Discount	59,387.37
Bond Insurance	28,394.58
Total Uses of Funds	$7,773,602.00

(a) Includes legal fees, financial advisor fees, paying agent fees, rating agency fees, printing costs, and any other costs of issuance.

INVESTMENT CONSIDERATIONS

Infectious Disease Outbreak (COVID-19)

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting State business or any order or rule of a State agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Under executive orders in effect as of the date of the Official Statement, there are no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities.

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

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City.

The Pandemic negatively affected travel, commerce, and financial markets globally, and may continue to negatively affect economic growth and financial markets worldwide. The City did witness a reduction in its taxable assessed valuation between tax year 2020 and tax year 2021 and a reduction in sales tax revenues between fiscal year 2020 and fiscal year 2021. However, the City does not believe that the reductions from the historically high taxable assessed valuation in tax year 2020 or sales tax collections from fiscal year 2020 were solely driven by the Pandemic. According to the City, the decrease in taxable assessed valuation from tax years 2020 to 2021 is due in large part to increased number of entities protesting their valuations, possibly in part due to the impact of the Covid-19 Pandemic on such entities. A continuation of the Pandemic and the economic impact of the Pandemic could in the future reduce or negatively affect property values or sales tax collections within the City. "SELECTED FINANCIAL INFORMATION." The Certificates are secured by ad valorem taxes, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the operations and maintenance expenses payable from ad valorem taxes.

Potential Effects of Oil Price Fluctuations on the Houston Area

The economy of the Houston area has, in the past, been particularly affected by adverse conditions in the oil and gas industry, and such conditions and their spillover effects into other industries could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values within the City. The City cannot predict the impact that negative conditions in the oil industry will have on property values in the City.

Extreme Weather Events

The greater Houston area, including the City, is subject to occasional severe weather events, including tropical storms and hurricanes. If the City were to sustain damage to its facilities requiring substantial repair or replacement, or if substantial damage were to occur to taxable property within the City as a result of such a weather event, the investment security of the Certificates could be adversely affected.

The greater Houston area, including the City, has experienced multiple storms exceeding a 0.2% probability (i.e. "500-year flood" events) since 2015.

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

Additions to Extraterritorial Jurisdiction

The City is currently in discussion with the separate owners of five distinct tracts and the City of Houston, Texas in connection with the release of approximately 318 acres from the City of Houston's extraterritorial jurisdiction (ETJ) for addition to the City of Waller's ETJ. The transfer of the ETJ to the City is intended to facilitate the development of the separate tracts for commercial, industrial or residential purposes. It is currently anticipated that some or all of the land proposed to be added to the City's ETJ will be annexed into the City in connection with the development of the land. However, the City has not yet entered into definitive agreements with the owners of the land for the annexation of the property into the City and development plans are still being finalized.

CYBERSECURITY

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

SELECTED FINANCIAL INFORMATION

Table 1 – Valuations and Tax-Supported Debt

2021 Certified Assessed Valuation (100% of Estimated Market Value)	$457,907,417 [(a)]
Direct Debt	
Outstanding Ad Valorem Tax Debt	$11,390,000
Plus: the Certificates	8,000,000
Total Direct Debt	$19,390,000 [(b)]
Interest and Sinking Fund Balance (unaudited as of March 31, 2022)	$546,662
Ratio of Direct Debt to 2021 Assessed Valuation	4.23%

Population: 2022 Population – 3,488 [(c)]
Per Capita Direct Debt – $5,559
Per Capita 2021 Assessed Valuation – $131,281

(a) Includes 2021 Certified Taxable Values, as certified by the Waller County Appraisal District (the "WCAD") and the Harris County Appraisal District (the "HCAD"). Net of property subject to exemption.
(b) Includes the Certificates.
(c) City estimate.

Table 2 – Cash and Investment Balances (unaudited as of March 31, 2022)

General Fund (Cash & Investments)	$9,019,029
Debt Service Fund (Cash & Investments)	$546,662

Table 3 – Tax Collections

				Collections as of Tax Year End		Collections Through February 28, 2022	
Tax Year	Assessed Valuation (a)	Tax Rate	Levy	Amount	%	Amount	%
2017	$ 319,220,914	$0.4703	$1,501,296	$1,491,826	99.37%	$1,496,332	99.67%
2018	354,324,996	0.4975	1,762,767	1,692,386	96.01%	1,754,098	99.51%
2019	391,553,813	0.5046	1,975,781	1,888,243	95.57%	1,964,718	99.44%
2020	539,213,591	0.4998	2,694,990	2,503,789	92.91%	2,680,818	99.47%
2021 (b)	484,464,746	0.5888	2,852,528	(c)	(c)	2,689,954	94.30%

(a) Source: WCAD and HCAD. Represents the taxable assessed valuations originally used to calculate each tax year's levy, which includes 2021 certified values, taxable values of property under protest, and values of properties not under protest or included on certified appraisal roll. Amounts may vary from those shown elsewhere in this document due to subsequent resolution of protests and adjustments by WCAD and HCAD.
(b) According to the City, the decrease in taxable assessed valuation from tax years 2020 to 2021 is due, in large part, to increased number of entities protesting their valuations, possibly in part due to the impact of the Pandemic on such entities.
(c) In process of collection.

Table 4 – Classification of Assessed Valuation

Type of Property	2021 Tax Roll (a) (b) Amount	%	2020 Tax Roll (a) (b) Amount	%	2019 Tax Roll (a) (b) Amount	%
Residential	$ 121,426,592	22.76%	$ 109,417,323	18.74%	$ 104,158,844	24.95%
Commercial	323,157,346	60.58%	355,749,577	60.92%	237,191,343	56.82%
Acreage	22,192,175	4.16%	40,928,664	7.01%	26,586,409	6.37%
Lots	11,150,000	2.09%	10,686,170	1.83%	9,250,151	2.22%
Utilities	5,117,082	0.96%	8,042,690	1.38%	19,428,320	4.65%
Minerals	0	0.00%	0	0.00%	0	0.00%
Other	50,353,198	9.44%	59,134,391	10.13%	20,792,025	4.98%
Total Appraised	$ 533,396,393	100.00%	$ 583,958,815	100.00%	$ 417,407,092	100.00%
Productivity Loss	(22,493,137)		(25,100,323)		(17,175,869)	
Exempt Property	(52,995,839)		(36,396,524)		(74,035,699)	
Total Taxable Value	$ 457,907,417		$ 522,461,968		$ 326,195,524	

(a) Does not reflect any uncertified value or adjustments subsequent to approval by WCAD and HCAD.
(b) As of the most recent supplement from WCAD and HCAD.

Anticipated Issuance of General Obligation Debt

The City has no authorized but unissued bonds.

Overlapping Debt Statement

Other governmental entities whose boundaries overlap the City have outstanding bonds or other debt payable from ad valorem taxes. The following statement of direct and estimated overlapping ad valorem tax debt was developed, unless otherwise indicated, from information contained in "Texas Municipal Reports," published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person is entitled to rely upon such information as being accurate or complete. Furthermore, certain of the entities listed below may have issued additional tax debt since the dates stated in this table, and such entities may have programs requiring the issuance of substantial amounts of additional tax debt, the amount of which cannot be determined. Political subdivisions overlapping the City are authorized by Texas law to levy and collect ad valorem taxes for operation maintenance and/or general revenue purposes in addition to taxes for payment of their debt, and some are presently levying and collecting such taxes.

Taxing Body	Outstanding Gross Debt	As of	% Overlpg. Gross Debt	Overlpg. Gross Debt
Harris Co.	$1,682,992,125	02/28/2022	0.03%	$504,898
Harris Co. Department of Education	20,185,000	02/28/2022	0.03%	6,056
Harris Co. Flood Control District	584,900,000	02/28/2022	0.03%	175,470
Harris Co. Hospital District	76,385,000	02/28/2022	0.03%	22,916
Harris Co. Toll Road	0	02/28/2022	0.03%	0
Port of Houston Authority	469,434,397	02/28/2022	0.03%	140,830
Waller Co.	38,502,000	02/28/2022	5.17%	1,990,553
Waller ISD	370,970,000	02/28/2022	10.61%	39,359,917
TOTAL OVERLAPPING DEBT				$42,200,639
City of Waller				$19,390,000 (a)
TOTAL DIRECT AND OVERLAPPING DEBT				$61,590,639
Ratio of Total Direct and Overlapping Debt to 2021 Assessed Value:				13.45% (a)
Per Capita Direct and Overlapping Debt, 2022 Population:				$17,658 (a)

(a) Includes the Certificates.

Overlapping Taxes for 2021

Overlapping Entity	2021 Tax Rate Waller Co.	2021 Tax Rate Harris Co.
Waller ISD	$1.3210	$1.3210
Waller Co.	0.5760	-
Harris Co. (a)	-	0.6680
The City	0.5888	0.5888
Total	$2.4858	$2.5778

(a) Includes Harris County Flood Control District, Harris County Hospital District, Harris County Department of Education, and Port of Houston Authority.

Table 5 – Tax Rate Distribution

	2021	2020	2019	2018	2017
Debt Service Fund	$0.1922	$0.1438	$0.1852	$0.1652	$0.1306
General Fund	0.3966	0.3560	0.3194	0.3323	0.3397
Total	$0.5888	$0.4998	$0.5046	$0.4975	$0.4703

Tax Rate Limitation

The City is a Type A General Law Municipality. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will only permit the allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

Table 6 – Principal Taxpayers

Taxable values may vary from year to year based on various appraisal considerations, and, consequently, taxpayers will not necessarily rank in the same order from one year to the next nor will they necessarily fall within the top ten ranking each year.

Taxpayer	Property Type	2021 (a)	2020
NRG Manufacturing	Commercial	$72,486,360	$106,741,270
Oxford Ranch Apartments	Residential	25,591,635	26,470,703
Alegacy Development LLC	Commercial	23,827,420	23,035,410
Geosouthern Intermediate Holdings LLC	Commercial	15,205,000	15,130,090
Laney Directions Drilling Inc	Commercial	15,193,880	-
Ramar Land Corporation	Commercial	11,367,720	-
Buc-ee's LTD	Commercial	11,168,970	11,717,040
Premier Coil Solutions Inc	Commercial	10,611,700	11,381,890
Burckhardt Compression US Inc	Commercial	5,907,227	5,512,212
Flotek Chemistry	Commercial	5,526,490	8,602,609
Cooper Cameron Corporation	Commercial	-	5,391,470
Cameron International Corp.	Commercial	-	12,704,239
Total		$196,886,402	$226,686,933
% of Assessed Valuation		**43.00%**	**45.42%**

(a) Approximately 43% of the City's total assessed valuation is concentrated in its top ten taxpayers. Adverse development affecting such taxpayers could adversely affect the taxable assessed valuation in the City resulting in less local tax revenue or future increase in ad valorem tax rates.

Table 7 – Debt Service Fund Management Index

Debt Service Requirements for year ending in 2022 [a]	$968,218
Debt Service balance at March 31, 2022 (unaudited)	$546,662
2021 Debt Service Fund Tax Levy $457,907,417/$100 A.V. @ 95% Collections [b]	836,093

(a) Includes the Certificates.
(b) Utilizes the City's 2021 debt service tax rate of $0.1922 per $100/A.V.

Table 8 – Tax Adequacy for Debt Service

Average Annual Debt Service Requirement (2022 – 2051) [a]	$1,086,549
$0.25 Tax Rate on 2021 Assessed Valuation of $457,907,417 @ 95% collection produces	$1,087,530
Maximum Annual Debt Service Requirement (2023) [a]	$1,266,180
$0.30 Tax Rate on 2021 Assessed Valuation of $457,907,417 @ 95% collection produces	$1,305,036

(a) Includes the Certificates.

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GENERAL FUND OPERATIONS

Revenues and expenditures of the City's General Fund for the five fiscal years ended September 30, 2017 – 2021 (audited). The Financial Advisor has prepared this summary for inclusion herein based upon information obtained from the City's records and audited financial statements.

Table 9 – General Fund Revenues and Expenditure History

	Fiscal Year Ended September 30				
Revenues	**2021**	**2020**	**2019**	**2018**	**2017**
Property Tax	$ 1,799,651	$ 1,213,375	$ 1,137,667	$ 1,084,533	$ 1,043,818
Sales Tax	2,654,694	2,956,762	2,311,032	2,008,760	2,014,712
Franchise and Local Taxes	155,089	159,203	153,163	146,604	146,283
Licenses and Permits	356,404	759,515	177,843	92,014	194,475
Fines and Forfeitures	504,889	522,063	585,841	634,054	462,329
Charges for Services	543,618	519,747	532,578	495,094	441,620
Intergovernmental	171,068	66,866	63,574	68,507	132,274
Investment Income	47,569	121,231	146,960	54,889	23,296
Other revenue	21,705	47,960	40,180	34,850	203,176
Total	$ 6,254,687	$ 6,366,722	$ 5,148,838	$ 4,619,305	$ 4,661,983
Expenditures					
General Government	$ 1,069,357	$ 1,123,732	$ 1,082,280	$ 942,439	$ 1,097,618
Public Safety	1,620,734	1,442,591	1,326,015	1,307,146	1,161,518
Code enforcement	642,779	286,211	243,137	188,988	261,018
Public works	987,071	912,687	834,906	695,393	675,276
Culture and recreation	95,672	69,851	55,807	67,892	233,406
Capital outlay	-	253,260	106,355	64,801	250,000
Debt Service	39,243	27,551	34,639	30,971	30,478
Total	$ 4,454,856	$ 4,115,883	$ 3,683,139	$ 3,297,630	$ 3,709,314
Excess Revenues (Expenditures)	$ 1,799,831	$ 2,250,839	$ 1,465,699	$ 1,321,675	$ 952,669
Fund Balance, Beginning of Year	$ 8,036,181	$ 5,974,793	$ 4,775,546	$ 3,284,341	$ 2,150,801
Transfers In	$ 86,376	$ 359,731	$ 265,103	$ 169,530	$ 230,871
Transfers Out	$ (608,656) (a)	$ (549,182)	$ (531,555)	$ -	$ (50,000)
Fund Balance, End of Year	$ 9,313,732	$ 8,036,181	$ 5,974,793	$ 4,775,546	$ 3,284,341

(a) General Fund contribution to the Debt Service fund, as well as support to the gas fund due to elevated energy costs during winter storm Uri in February 2021.

DEBT SERVICE FUND OPERATIONS

Revenues and expenditures of the City's Debt Service Fund for the five fiscal years ended September 30, 2017 – 2021 (audited). The Financial Advisor has prepared this summary for inclusion herein based upon information obtained from the City's records and audited financial statements.

Table 10 – Debt Service Fund Revenues and Expenditures History

	Fiscal Year Ended September 30				
Revenues	**2021**	**2020**	**2019**	**2018**	**2017**
Property Taxes	$ 726,280	$ 696,596	$ 567,016	$ 425,467	$ 385,502
Interest and Misc.	4,074	67,885	69,598	19,980	1,136
Total	$ 730,354	$ 764,481	$ 636,614	$ 445,447	$ 386,638
Expenditures					
Principal on Long Term Debt	$ 545,000	$ 515,000	$ 384,750	$ 400,000	$ 335,250
Interest & Fiscal Fees	395,756	426,841	467,631	160,231	91,506
Issuance Costs	58,220	-	-	-	-
Total	$ 998,976	$ 941,841	$ 852,381	$ 560,231	$ 426,756
Excess Revenues (Expenditures)	$ (268,622)	$ (177,360)	$ (215,767)	$ (114,784)	$ (40,118)
Fund Balance, Beginning of Year	$ 513,344	$ 463,641	$ 135,400	$ 197,886	$ 188,004
Transfers In	$ 301,940 (a)	$ 227,063	$ 544,008	$ 52,298	$ 50,000
Fund Balance, End of Year	$ 546,662	$ 513,344	$ 463,641	$ 135,400	$ 197,886

(a) The City currently treats a portion of the debt service on ad valorem tax debt issued for water and sewer purposes as self-supporting from revenue of the City's water and sewer system pursuant to a policy determination by the City Council, such determination is subject to change in the future. The City currently intends to treat the portion of the Certificates issued for water and sewer purposes as self-supporting from the revenue of the water and sewer system.

DEBT SERVICE REQUIREMENTS

Table 11 – General Obligation Indebtedness

		The Bonds				
Year Ending 12/31	Outstanding Debt Service	Principal Due 8/1	Interest Due 2/1	Interest Due 8/1	Total Principal & Interest	New Debt Service
2022	$926,363.49			$41,854.69	$41,854.69	$968,218.18
2023	931,342.24		$167,418.75	167,418.75	334,837.50	1,266,179.74
2024	706,714.74	$45,000.00	167,418.75	167,418.75	379,837.50	1,086,552.24
2025	714,701.74	35,000.00	166,518.75	166,518.75	368,037.50	1,082,739.24
2026	708,563.24	45,000.00	165,818.75	165,818.75	376,637.50	1,085,200.74
2027	712,349.24	40,000.00	164,918.75	164,918.75	369,837.50	1,082,186.74
2028	720,709.74	35,000.00	164,118.75	164,118.75	363,237.50	1,083,947.24
2029	723,569.24	35,000.00	163,418.75	163,418.75	361,837.50	1,085,406.74
2030	725,878.74	35,000.00	162,718.75	162,718.75	360,437.50	1,086,316.24
2031	727,762.74	35,000.00	162,018.75	162,018.75	359,037.50	1,086,800.24
2032	734,221.24	25,000.00	161,318.75	161,318.75	347,637.50	1,081,858.74
2033	740,104.24	20,000.00	160,818.75	160,818.75	341,637.50	1,081,741.74
2034	740,361.74	25,000.00	160,418.75	160,418.75	345,837.50	1,086,199.24
2035	559,991.24	205,000.00	159,918.75	159,918.75	524,837.50	1,084,828.74
2036	566,781.24	205,000.00	155,818.75	155,818.75	516,637.50	1,083,418.74
2037	569,006.24	210,000.00	151,718.75	151,718.75	513,437.50	1,082,443.74
2038	575,181.24	215,000.00	147,518.75	147,518.75	510,037.50	1,085,218.74
2039	580,343.74	220,000.00	143,218.75	143,218.75	506,437.50	1,086,781.24
2040	594,793.74	210,000.00	138,818.75	138,818.75	487,637.50	1,082,431.24
2041	603,162.50	210,000.00	134,618.75	134,618.75	479,237.50	1,082,400.00
2042	610,637.50	215,000.00	130,418.75	130,418.75	475,837.50	1,086,475.00
2043	402,218.74	430,000.00	126,118.75	126,118.75	682,237.50	1,084,456.24
2044	385,437.50	465,000.00	116,981.25	116,981.25	698,962.50	1,084,400.00
2045	388,437.50	480,000.00	107,100.00	107,100.00	694,200.00	1,082,637.50
2046	385,875.00	505,000.00	96,900.00	96,900.00	698,800.00	1,084,675.00
2047	392,937.50	520,000.00	86,168.75	86,168.75	692,337.50	1,085,275.00
2048	394,250.00	540,000.00	75,118.75	75,118.75	690,237.50	1,084,487.50
2049		955,000.00	63,643.75	63,643.75	1,082,287.50	1,082,287.50
2050		1,000,000.00	43,350.00	43,350.00	1,086,700.00	1,086,700.00
2051		1,040,000.00	22,100.00	22,100.00	1,084,200.00	1,084,200.00
	$16,821,696.05	$8,000,000.00	$3,866,456.25	$3,908,310.94	$15,774,767.19	$32,596,463.24

CITY ADMINISTRATION

Description of the City

The City was incorporated in 1947 and operates as a Texas General Law City. The City operates under the Mayor-Council form of government wherein the Mayor serves as Chief Administrative and Executive Officer of the City. As the Chief Administrative Officer, the Mayor exercises broad powers relating to the daily operations of City government. The City provides the following services: police, streets, water and sewer, gas services, sanitation, parks, library and general administrative services.

Pension Fund

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. The City's net pension liability at December 31, 2020 was $142,396. For more detailed information concerning the retirement plan, see "APPENDIX A – Annual Financial Report for the Year Ended September 30, 2021 – Note (IV)(B)."

Other Post-Employee Benefits

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the TMRS known as the Supplemental Death Benefits Fund ("SDBF"). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were $86,320, which were more than the required contributions. For more detailed information concerning the SDBF, see "APPENDIX A – Annual Financial Report for the Year Ended September 30, 2021 – Note (IV)(C)."

AD VALOREM TAXATION

Ad Valorem Property Taxation

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("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 Waller County Appraisal District ("WCAD") and the Harris County Appraisal District ("HCAD," and together with WCAD, collectively, the "Appraisal District"). Except as 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 appropriate 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"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

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. The appraisal values set by the Appraisal Districts are subject to review and change by the applicable Appraisal Review Board. The appraisal rolls, as approved by the applicable Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX DATA – City's Rights in the Event of Tax Delinquencies."

Issuer and Taxpayer Remedies

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

Owners of certain property with a taxable value of at least $50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal. The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the City and provides for taxpayer referenda that could result in the repeal of certain tax increases. See "– Public Hearing and Maintenance and Operation Tax Rate Limitations".

The Property Tax Code also establishes a procedure for notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

State Mandated Homestead Exemptions

State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families.

Local Option Homestead Exemptions

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

Local Option Freeze for the Elderly and Disabled

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

Personal Property

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

Freeport Exemptions

Certain goods 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 to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property.

Other Exempt Property

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

Temporary Exemption for Qualified Property Damaged by a Disaster

The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the Governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the Governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Property Tax Code.

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.

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.

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 of the City's tax-supported debt obligations, including the Certificates.

During the 2021 legislative session, the Texas Legislature adopted House Bill 1869. House Bill 1869 treats the ad valorem taxes levied to pay debt service on certain non-voted debt approved after September 1, 2021 as part of the maintenance and operations tax rate calculations, which would result in subjecting the tax levied for debt service on such non-voted debt to the maintenance and operations tax limitations described in this subcaption.

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. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

The City's Rights in the Event of Tax Delinquencies

Taxes levied by the City are a personal obligation of the owner of the property as of January 1 of the year for which the tax is imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all State and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of the State and each local taxing unit, including the City, having power to tax the property. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes. At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property. Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, by the effects of market conditions on the foreclosure sale price, by taxpayer redemption rights (a taxpayer may redeem property within two (2) years after the purchaser's deed issued at the foreclosure sale is filed in the county records) or by bankruptcy proceedings which restrict the collection of taxpayer debts. Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

City Application of Property Tax Code

The City does grant local exemption of the market value of all residence homesteads in the amount of 5%, with a $5,000 minimum.

The City does grant a local option exemption of the market value of the residence homestead of persons 65 years of age or older, or disabled, in the amount of $20,000.

The City does not grant a local option freeze on taxes for persons 65 years of age or older or disabled persons.

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

The City does not tax Freeport Property.

The City has taken action to tax Goods-in-Transit.

The City does not participate in a TIRZ.

The City does not participate in a Transportation Reinvestment Zone.

The City does offer tax abatements.

TAX MATTERS

Tax Exemption

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

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

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

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

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

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

Purchase of Tax-Exempt Obligations by Financial Institutions

Section 265(a) of the Code provides, in general, that a deduction for interest on indebtedness incurred to acquire or carry tax-exempt obligations is disallowed. Section 265(b) of the Code provides a specific complete disallowance of any deduction by a financial institution of its pro rata interest expense to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. Section 265(b) of the Code also provides an exception for financial institutions for tax-exempt obligations that are properly designated by an issuer as "qualified tax-exempt obligations."

The Certificates have been designated as "qualified tax-exempt obligations" based, in part, on the City's representation that the amount of the Certificates, when added to the amount of all other tax-exempt obligations (not including private activity bonds other than "qualified 501(c)(3) bonds" or any obligations issued to currently refund any obligation to the extent the amount of the refunding obligation did not exceed the outstanding amount of the refunded obligation) issued or reasonably anticipated to be issued by or on behalf of the City during 2022, is not expected to exceed $10,000,000. Further, the City and entities aggregated with the City under the Code have not designated more than $10,000,000 in "qualified tax-exempt obligations" (including the Certificates) during 2022.

Notwithstanding the designation of the Certificates as "qualified tax-exempt obligations" under this exception, financial institutions acquiring the Certificates will be subject to a 20% disallowance of allocable interest expense.

Collateral Tax Consequences

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

Tax Accounting Treatment of Original Issue Premium

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

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

Tax Accounting Treatment of Original Issue Discount

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

In the event of the redemption, sale or other taxable disposition of such 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.

The foregoing discussion assumes that (i) the Underwriter has purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the cover page of this Official

Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

Under existing law, the original issue discount on each Original Issue Discount Certificate accrues daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Certificates and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such 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 (i) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (ii) the amounts payable as current interest during such accrual period on such Original Issue Discount Certificate.

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

Tax Legislative Changes

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

LEGAL MATTERS

Legal Opinions

The delivery of the Certificates is subject to the approving opinions of the Attorney General of Texas to the effect that the Certificates are valid and legally binding Certificates of the City and the approving legal opinions of Bracewell LLP, Bond Counsel to the City ("Bond Counsel"), in substantially the forms attached as APPENDIX B.

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 in this Official Statement appearing under the captions and subcaptions "THE CERTIFICATES" (excluding the information under the subcaptions "Security and Source of Payment," "Book-Entry-Only System," "Remedies in the Event of Default" and "Sources and Uses of Funds"), and "CONTINUING DISCLOSURE OF INFORMATION" (except for the information under "Compliance with Prior Undertakings" as to which no opinion is expressed) and Bond Counsel is of the opinion that the information contained therein conforms to the provisions of the Ordinance; further, such firm has reviewed the information in this Official Statement appearing under the captions and subcaptions "TAX MATTERS," "OTHER INFORMATION – Securities Laws," "LEGAL MATTERS – Legal Opinions" (excluding the last sentence of the second paragraph thereof), "LEGAL MATTERS – Legal Investment and Eligibility to Secure Public Funds in Texas," and such firm is of the opinion that the information contained under such captions and subcaptions is an accurate description of the laws and legal issues addressed therein. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel to the Underwriters.

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

Legal Investment and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act provides the Certificates are (i) negotiable instruments, (ii) investment securities to which Chapter 8, Business and Commerce Code applies and (iii) legal and authorized investments for insurance companies, fiduciaries or trustees and sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For the Certificates to be an eligible investment for municipalities, political subdivisions or public agencies of Texas, the Public Funds Investment Act, V.T.C.A., Government Code, Chapter 2256, provides a rating of at least "A" or its equivalent as to investment quality must be assigned by a national rating agency. Furthermore, the Certificates are eligible to secure the deposits of any public funds of the State of Texas, its agencies and its political subdivisions and are legal security for those deposits to the extent of their market value.

The City has made no investigation of other laws, 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.

Litigation

The City, from time to time, is a defendant in various lawsuits. In the opinion of the City's management, there is no pending litigation against the City, which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City or its operations.

INVESTMENT POLICIES

Investments

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

Legal Investments

Under Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by Subdivision (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 investing entity selects from a list the governing body or designated investment committee of the entity adopts as required by Section 2256.025; or (ii) a depository institution with a main office or branch office in this state that the investing entity selects; (B) the broker or depository institution selected as described by Paragraph (A) 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 investing entity's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the investing entity appoints as the entity's custodian of the banking deposits issued for the entity's account: (i) the depository institution selected as described by Paragraph (A); ii) an entity described by Section 2257.041(d); or (iii) a clearing broker dealer registered with the Securities and Exchange Commission and operating under Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3); (9) certificates of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (8) or in accordance with Chapter 2257, Texas Government Code or in any other manner and amount provided by law for City deposits or, (ii) where (a) the funds are invested by the City through (I) a broker that has its main office or a branch office in the State of Texas and is selected from a list adopted by the City as required by law or (II) a depository institution that has its main office or a branch office in the State of Texas that is selected by the City; (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City; (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (ii) above, an entity as described by Section 2257.041(d) of the Texas Government Code, or a clearing broker-dealer registered with the Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit issued for the account of the City; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described in clause (1) 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 a stated maturity of 270 days or less, that will be, in accordance with their terms, liquidated in full at maturity; that are eligible for collateral for borrowing from a Federal Reserve Bank, 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 270 days or less that is rated at least A 1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that provides the investing entity with a prospectus and other information required by the Securities Exchange Act of 1934 (15 U.S.C. Section 78a et seq.) or the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.), and comply with federal Securities and Exchange Commission Rule 2a-7; and (14) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; and have a duration of one year or more and are invested exclusively in obligations described in this paragraph or have 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, including the Federal Home Loan Banks, in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below; and is pledged to the City and deposited with the City or with a third party selected and approved by the City.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (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 of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA- or an equivalent by at least one nationally recognized rating service if the governing body of the City authorizes such investment in the particular pool by order, ordinance, or resolution and the investment pool complies with the requirements of Section 2256.016, Texas Government Code.

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.

Investment Policies

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment, 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 provisions of Section 2256.021. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City 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 investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and 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 strategy statements and (b) state law. No person may invest City funds without express written authority from the Mayor and City Council of the City.

Additional Provisions

Under Texas law the City is additionally required to: (1) annually review its adopted policies and strategies; (2) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the governing body of the City; (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (5) provide specific investment training for the Treasurer, Chief Financial Officer and investment officers; (6) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (7) restrict the investment in mutual funds in the aggregate to no more than 80% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service and further restrict the investment in non-money market mutual funds of any portion of bond proceeds, reserves and funds held for debt service and to no more than 15% of the entity's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; and (8) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements.

Current Investments

As of September 30, 2021, the City's funds were invested in the following categories:

Description	Percent of Total	Fair Value
Certificates of Deposit	99.21%	$129,532
External Investment Pools	0.79%	1,031
Total		$130,563

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

MUNICIPAL BOND RATING

The City has made application to Moody's Investors Service ("Moody's") for an underlying rating on the outstanding debt of the City and Moody's has assigned a rating of "A1." Any explanation of the significance of such rating may be obtained from the rating service furnishing the rating. There is no assurance that any rating given to the Certificates will be maintained for any period of time or that the rating may not be lowered or withdrawn entirely by such rating agencies if, in the judgment of such agencies, circumstances so warrant. Any such downward change or withdrawal of such rating may have an adverse effect on the market price of the Certificates. A securities rating is not a recommendation to buy, sell or hold the Certificates.

It is expected that S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), will assign its municipal bond rating of "AA" (stable outlook) to the Certificates with the understanding that upon delivery of the Certificates, a municipal bond insurance policy insuring the timely payment of the principal of and interest on the Certificates will be issued by Build America Mutual Assurance Company ("BAM" or the "Insurer").

MUNICIPAL BOND INSURANCE

Municipal Bond Insurance Policy

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Certificates (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as APPENDIX C to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of March 31, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $ 466.8 million, $172.1 million and $294.7 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "MUNICIPAL BOND INSURANCE."

Additional Information Available from BAM

Credit Insights Videos: For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM's analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles: Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers: The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Credit Profiles and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the issuer of or the underwriter for the Certificates, and the issuer and underwriter assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Certificates. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Certificates, whether at the initial offering or otherwise.

BOND INSURANCE RISK FACTORS

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable bond insurance policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the bond insurer at such time and in such amounts as would have been due absence such prepayment by the City unless the bond insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the bond insurer without appropriate consent. The bond insurer may direct and must consent to any remedies and the bond insurer's consent may be required in connection with amendments to any applicable bond documents.

In the event the bond insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received pursuant to the applicable bond documents. In the event the bond insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

The long-term ratings on the Certificates are dependent in part on the financial strength of the bond insurer and its claim paying ability. The bond insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the bond insurer and of the ratings on the Certificates insured by the bond insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "MUNICIPAL BOND INSURANCE."

The obligations of the bond insurer are contractual obligations and in an event of default by the bond insurer, the remedies available may be limited by applicable bankruptcy law or state law related to insolvency of insurance companies.

Neither the City or Underwriter have made independent investigation into the claims paying ability of the bond insurer and no assurance or representation regarding the financial strength or projected financial strength of the bond insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims paying ability of the bond insurer, particularly over the life of the investment.

In the event of default of the payment of principal or interest with respect to the Certificates when all or some becomes due, any owner of the Certificates shall have a claim under the applicable Bond Insurance Policy (the "Policy") for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the certificate owner as a voidable preference under applicable bankruptcy law is covered by the Policy, however, such payments will be made by the provider of the Policy (the "Bond Insurer") at such time and in such amounts as would have been due absent such prepayment by the City unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies that the Trustee exercises and the Bond Insurer's consent may be required in connection with amendments to the applicable Agreements or Indenture.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from the moneys received by the Paying Agent/Registrar pursuant to the applicable Agreements. In the event the Bond Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates.

If insurance is purchased, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Certificates insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Certificates or the marketability (liquidity) for the Certificates. See "MUNICIPAL BOND RATING" herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available to the Paying Agent/Registrar may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the City nor the Underwriter has made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Certificates and the claims paying ability of the Bond Insurer, particularly over the life of the investment.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("MSRB") in an electronic format as prescribed by the MSRB. Information will be publicly available on the MSRB's Electronic Municipal Market Access System at www.emma.msrb.org.

Annual Reports

The City shall provide annually to the MSRB, (1) within six (6) months after the end of each Fiscal Year of the City ending in and after 2022, financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 11, and (2) if not provided as part such financial information and operating data, audited financial statements of the City, when and if available, and in any event within 12 months after the end of each Fiscal Year. Any financial statements so to be provided shall be (i) prepared in accordance with the accounting principles described in the rules to the financial statements for the most recently concluded Fiscal

Year or such other accounting principles as the City may be required to employ, from time to time, by State law or regulation, and (ii) audited, if the City commissions an audit of such statements and the audit is completed within the period during which they must be provided. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City shall file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available.

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

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by the last day of March in each year, and audited financial statements for the Preceding Fiscal Year (or unaudited financial statements if the audited financial statements are not yet available) must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Certificates: (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) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such 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 the 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 continuing disclosure agreement make any provision for liquidity enhancement, the funding of debt service reserves or the appointment of a trustee. In addition, the City will provide timely notice of any failure by the City to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

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

Availability of Information from EMMA

All such information described above must be filed with the MSRB. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org. The City has agreed to provide the foregoing information only to the MSRB through EMMA.

Limitations and Amendments

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

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

Compliance with Prior Undertakings

The City filed its audited financial statements for the fiscal year ending September 30, 2016 on August 2, 2017. The City filed unaudited financial statements for the fiscal year ended September 30, 2017 on March 30, 2018 and filed audited financial statements on April 17, 2018. The City filed its audited financial statements for the fiscal year ending September 30, 2018 on July 2, 2019, and its operating data and amended operating data for the fiscal year ending September 30, 2018 on August 23, 2019 and August 30, 2019, respectively.

UNDERWRITING

The purchase price for the Certificates shall be $7,714,214.63 (representing the par amount of the Certificates, less a net original issue discount of $226,398.00 on the Certificates, and less an underwriting discount of $59,387.37). The Underwriter’s obligations are subject to certain conditions precedent, and they 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 provided the following sentence for inclusion in this Official Statement and the City makes no representation or warranty with respect to such information. 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.

The Underwriter is BOK Financial Securities, Inc., which is not a bank, and the Certificates are not deposits of any bank and are not insured by the Federal Deposit Insurance Corporation.

The Underwriter and its respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. The Underwriter and its affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

FINANCIAL ADVISOR

The City has employed the firm of RBC Capital Markets, LLC as Financial Advisor (the "Financial Advisor") to the City. The fees paid the Financial Advisor for services rendered in connection with the issuance and sale of the Certificates are based on the amount of Certificates actually issued, sold and delivered, and therefore such fees are contingent on the sale and delivery of the Certificates. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

OTHER INFORMATION

Certification of the Official Statement

At the time of payment for and delivery of the Certificates, the Underwriter will be furnished a certificate, executed by the proper City Officials, acting in their official capacity, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement and any addenda, supplement or amendment thereto, for its Certificates on the date of such Official Statement, on the date of purchase of said Certificates, and on the date of delivery, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements, including financial data, of, or pertaining to, entities other than the City and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and that the City has no reason to believe that they are untrue in any material respect; (d) there has been no material adverse change in the financial condition of the City since September 30, 2021, the date of the last audited financial statements of the City and (e) except as disclosed herein, no litigation of any nature has been filed or is pending, as of that date, of which the City has notice to restrain or enjoin the issuance or delivery of the Certificates, or which would affect the provisions made for their payment or security, or in any manner question the validity of the Certificates.

Prices and Marketability

The delivery of the Certificates is conditioned upon the receipt by the City of a certificate executed and delivered by the Underwriter on or before the date of delivery of the Certificates stating the prices at which a substantial amount of the Certificates of each maturity have been sold to the public. For this purpose, the term "public" shall not include any person who is bondhouse, broker or similar person acting in the capacity of underwriter or wholesaler. The City has no control over trading of the Certificates after a bona fide offering of the Certificates is made by the Underwriter at the yields specified on the cover page. Information concerning reoffering yields or prices is the responsibility of the Underwriter.

The prices and other terms respecting the offering and sale of the Certificates may be changed from time to time by the Underwriter after the Certificates are released for sale, and the Certificates may be offered and sold at prices other than the initial offering price, including sales to dealers who may sell the Certificates into investment accounts. IN CONNECTION WITH THE OFFERING OF THE CERTIFICATES, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE 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.

Securities Laws

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

Audited Financial Statements

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

OFFICIAL STATEMENT

Preparation

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.

Official Statement

The Ordinance will approve the form and content of this Official Statement and any addenda, supplement or amendment thereto, and authorize its use in the reoffering of the Certificates by the Underwriter.

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APPENDIX A

City of Waller, Texas

Annual Financial Report for the
Year Ended September 30, 2021

The information contained in this appendix has been excerpted from the annual financial report of the City of Waller, Texas for the fiscal year ending September 30, 2021. Certain information not considered to be relevant to this financing has been omitted; however, complete financial reports are available upon request.

ANNUAL FINANCIAL REPORT

of the

CITY OF WALLER, TEXAS

For the Year Ended
September 30, 2021

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CITY OF WALLER, TEXAS

TABLE OF CONTENTS

September 30, 2021

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Houston · Austin · Bellville · Woodville
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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, the discretely presented component unit, and each major fund of the City as of September 30, 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The schedule and other statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Belt Harris Pechacek, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
February 18, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF WALLER, TEXAS

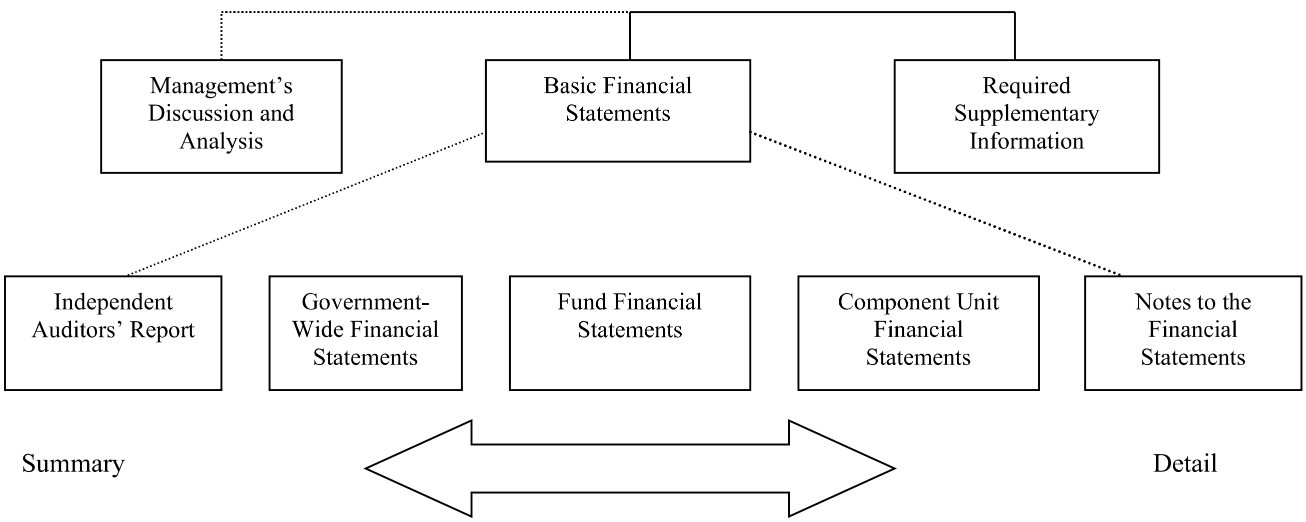
MANAGEMENT'S DISCUSSION AND ANALYSIS

For the Year Ended September 30, 2021

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

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

<u>Government-Wide Statements</u>

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

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

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

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

1. *Governmental Activities* – The City's tax supported services are reported here, including general government, public safety, code enforcement, public works, and culture and recreation. Interest payments on the City's debt are also reported here. Property tax, sales tax, franchise fees, municipal court fines, and permit fees finance most of these activities.

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

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate economic development corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

FUND FINANCIAL STATEMENTS

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term 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 the City's near-term financing requirements.

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

The City maintains four 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 debt service fund, the capital projects fund, and the special revenue fund.

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

Proprietary Funds

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

Notes to Financial Statements

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

Other Information

In addition to basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes a budgetary comparison schedule for the general fund and schedules of changes in net pension and total other postemployment benefits liability and related ratios and schedule of contributions for the Texas Municipal Retirement System. RSI can be found after the notes to the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the City's financial position. Assets and deferred outflows exceeded liabilities and deferred inflows by $20,110,168 at year end.

A large portion of the City's net position, 35 percent, reflects its investments in capital assets (e.g. land, City hall, police station, drainage systems, as well as the public works facilities) less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

Statement of Net Position

The following tables reflect the condensed Statement of Net Position:

	2021			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	$ 13,111,262	$ 2,323,639	$ -	$ 15,434,901
Noncurrent assets	9,866,088	8,851,601	-	18,717,689
Total Assets	22,977,350	11,175,240	-	34,152,590
Deferred outflows - pensions	65,417	5,323	-	70,740
Deferred outflows - OPEB	25,763	-	-	25,763
Total Deferred Outflows of Resources	91,180	5,323	-	96,503
Long-term liabilities	12,087,918	10,336	-	12,098,254
Other liabilities	1,747,243	122,444	-	1,869,687
Total Liabilities	13,835,161	132,780	-	13,967,941
Deferred inflows - pensions	128,441	22,685	-	151,126
Deferred inflows - OPEB	19,858	-	-	19,858
Total Deferred Inflows of Resources	148,299	22,685	-	170,984
Net Position:				
Net investment in capital assets	2,094,146	8,833,496	(3,888,702)	7,038,940
Restricted	1,700,575	-	-	1,700,575
Unrestricted	5,290,349	2,191,602	3,888,702	11,370,653
Total Net Position	$ 9,085,070	$ 11,025,098	$ -	$ 20,110,168

	2020			
	Governmental Activities	Business-Type Activities	Reconciliation	Total Primary Government
Current and other assets	$ 12,371,031	$ 1,955,096	$ -	$ 14,326,127
Noncurrent assets	10,126,332	6,795,501	-	16,921,833
Total Assets	22,497,363	8,750,597	-	31,247,960
Deferred outflows - pensions	59,805	9,914	-	69,719
Deferred outflows - OPEB	17,332	-	-	17,332
Deferred charge on refunding	4,469	-	-	4,469
Total Deferred Outflows of Resources	81,606	9,914	-	91,520
Long-term liabilities	12,595,183	10,185	-	12,605,368
Other liabilities	683,111	128,225	-	811,336
Total Liabilities	13,278,294	138,410	-	13,416,704
Deferred inflows - pensions	115,769	21,860	-	137,629
Deferred inflows - OPEB	11,660	-	-	11,660
Total Deferred Inflows of Resources	127,429	21,860	-	149,289
Net Position:				
Net investment in capital assets	3,417,806	6,783,417	(4,094,412)	6,106,811
Restricted	1,582,182	-	-	1,582,182
Unrestricted	4,173,258	1,816,824	4,094,412	10,084,494
Total Net Position	$ 9,173,246	$ 8,600,241	$ -	$ 17,773,487

A portion of the primary government's net position, $1,700,575, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $11,370,653, may be used to meet the City's ongoing obligation to citizens and creditors. The overall condition of the City increased $2,336,681 during the year.

A reconciliation is used to move the debt associated with business-type activities for capital assets to the unrestricted net position to give a better picture of the total primary government unrestricted net position.

Statement of Activities

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

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Revenues						
Program revenues:						
Charges for services	$ 2,081,401	$ 2,014,301	$ 2,340,337	$ 1,976,590	$ 4,421,738	$ 3,990,891
Operating grants and contributions	219,397	115,076	-	-	219,397	115,076
Capital grants and contributions	-	137,909	-	-	-	137,909
General revenues:						
Property taxes	2,517,113	1,915,576	-	-	2,517,113	1,915,576
Sales taxes	2,654,694	2,956,762	-	-	2,654,694	2,956,762
Franchise fees	327,130	294,404	-	-	327,130	294,404
Investment income	59,724	189,125	4,712	23,584	64,436	212,709
Other revenues	24,691	47,960	-	-	24,691	47,960
Total Revenues	7,884,150	7,671,113	2,345,049	2,000,174	10,229,199	9,671,287
Expenses						
General government	1,387,448	1,177,040	-	-	1,387,448	1,177,040
Public safety	1,791,985	1,236,584	-	-	1,791,985	1,236,584
Permits/Code enforcement	639,524	287,023	-	-	639,524	287,023
Public works	1,012,260	1,469,803	-	-	1,012,260	1,469,803
Culture and recreation	133,898	215,625	-	-	133,898	215,625
Interest and fiscal agent fees	380,083	415,965	-	-	380,083	415,965
Gas	-		1,071,134	506,108	1,071,134	506,108
Water and sewer	-	-	1,476,186	1,319,006	1,476,186	1,319,006
Total Expenses	5,345,198	4,802,040	2,547,320	1,825,114	7,892,518	6,627,154
Increase (Decrease) in Net Position Before Transfers	2,538,952	2,869,073	(202,271)	175,060	2,336,681	3,044,133
Transfers in (out)	(2,627,128)	(743,135)	2,627,128	743,135	-	-
Change in Net Position	(88,176)	2,125,938	2,424,857	918,195	2,336,681	3,044,133
Beginning net position	9,173,246	7,047,308	8,600,241	7,682,046	17,773,487	14,729,354
Ending Net Position	$ 9,085,070	$ 9,173,246	$ 11,025,098	$ 8,600,241	$ 20,110,168	$ 17,773,487

Overall, governmental activities revenues increased $213,037. Operating grants and contributions increased by $104,321 largely due to an increase in Coronavirus relief funds. Property tax revenue increased $601,537 mainly due to higher appraised values and an increase in the tax rate. Governmental activities expenses increased $543,158 primarily due to increases in public safety from higher maintenance costs and an increase in the salaries and wages.

Overall, business-type activities revenues increased $344,875 mainly due to an increase in charges for services from an increase in gas service charges. Business-type activities expenses increased $722,206 mostly due to an increase in gas wholesale expenses.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

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

The City's governmental funds reflect a combined fund balance of $11,275,666. Of the total governmental fund balance, $17,400 is nonspendable in the form of inventory and $2,159,237 is restricted for debt service, enabling legislation, capital projects, and special projects. $80,000 is assigned for street projects and fleet reserve. The remaining balance of $9,019,029 is unassigned.

The general fund is the chief operating fund of the City. At the end of the current year, the unassigned fund balance of the general fund was $9,019,029. 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 expenditures. Unassigned fund balance represents 202 percent of total general expenditures. General fund revenues decreased $112,035 compared to the prior year largely due to decreases in sales tax revenues, from a decrease in taxable sales within the City and in licenses and permits revenues due to a decrease in building permits issued. Expenditures increased $338,973 compared to the prior year due primarily to an increase in cost related to inspection services within the permit/code enforcement department.

The debt service fund has a total fund balance of $546,662, all of which is restricted for payment of debt service. The net increase in fund balance during the current year in the debt service fund was $33,318 primarily as a result of other financing sources related to interfund transfers from the general fund.

The capital projects fund has a fund balance of $458,662, all of which is restricted for capital projects. The net decrease in fund balance of $1,726,670 was primarily due to an increase in construction projects.

The special revenue fund has a fund balance of $956,610, all of which is restricted for enabling legislation. The net increase of $92,914 was mostly the result of the net result of an increase in funds restricted funds for enabling legislation and decrease in restricted funds for special projects..

Proprietary Funds – The City's gas and water and sewer funds' operating expenses exceeded revenues by $206,983. Nonoperating revenue was $4,712, which was comprised entirely of investment income. The water and sewer fund transferred $110,094 to repay the general and debt service fund. The gas fund received a net amount of $396,444 from the general fund. This is the net result of the general fund providing $462,943 to pay for a portion of the gas wholesale charges and the gas fund repaying the general fund $66,499. The gas and water and sewer fund had capital contributions from the capital projects fund of $2,340,778.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund reported a positive revenue budget variance of $1,219,259. This variance is primarily due to more property taxes, sales taxes, and licenses permits revenue than expected. Total expenditures had a positive budget variance of $263,822 from the final budget due mainly to less expenditures than anticipated in capital outlay.

CAPITAL ASSETS

At the end of the year, the City's governmental activities and business-type activities had invested $18,440,502 in a variety of capital assets and infrastructure (net of accumulated depreciation).

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

LONG-TERM DEBT

At the end of the current year, the City had total bonds, certificates of obligation, tax notes, and capital leases of $11,659,932. Of this amount, $8,570,000 was general obligation bonds debt, $2,690,000 was certificates of obligation debt, $255,000 was tax notes debt and $144,932 was capital leases.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City is experiencing a period of growth. Property values are increasing, commercial development continues, property and sales tax revenues are expanding, and the City is thriving.

The City adopted a fiscal year 2021-2022 general fund expenditure budget of $5,587,476, which is an increase of 13 percent from the prior year budget. The City budgeted for fiscal year 2021-2022 general fund revenues of $6,021,736, which is an increase of 15 percent. The City approved a 2021-2022 Maintenance and Operation tax rate of $0.3966 and an Interest and Sinking tax rate of $0.1922 for total of $0.5888 per $100 of property valuation.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City's finances. Questions concerning this report or requests for additional financial information should be directed to the City Secretary, City of Waller, P.O. Box 239, Waller, Texas, 77484.

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BASIC FINANCIAL STATEMENTS

CITY OF WALLER, TEXAS

STATEMENT OF NET POSITION

September 30, 2021

	Primary Government			
	Governmental Activities	Business-Type Activities	Reconciliation	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 11,885,068	$ 1,919,583	$ -	$ 13,804,651
Restricted cash and cash equivalents	458,662	45,599	-	504,261
Investments	129,532	-	-	129,532
Receivables (net of allowance for uncollectible)	620,600	291,199	-	911,799
Inventory	17,400	67,258	-	84,658
	13,111,262	2,323,639	-	15,434,901
Noncurrent assets:				
Net pension asset	259,082	18,105	-	277,187
Nondepreciable capital assets	772,247	1,778,740	-	2,550,987
Net depreciable capital assets	8,834,759	7,054,756	-	15,889,515
	9,866,088	8,851,601	-	18,717,689
Total Assets	22,977,350	11,175,240	-	34,152,590
Deferred Outflows of Resources				
Deferred outflows - pensions	65,417	5,323	-	70,740
Deferred outflows - OPEB	25,763	-	-	25,763
Total Deferred Outflows of Resources	91,180	5,323	-	96,503
Liabilities				
Current liabilities:				
Accounts payable and accrued liabilities	572,070	76,845	-	648,915
Customer deposits	-	45,599	-	45,599
Unearned revenue	1,114,128	-	-	1,114,128
Accrued interest payable	61,045	-	-	61,045
	1,747,243	122,444	-	1,869,687
Noncurrent liabilities:				
Total OPEB liability	142,396	-	-	142,396
Due within one year	666,271	9,302	-	675,573
Due in more than one year	11,279,251	1,034	-	11,280,285
	12,087,918	10,336	-	12,098,254
Total Liabilities	13,835,161	132,780	-	13,967,941
Deferred Inflows of Resources				
Deferred inflows - pensions	128,441	22,685	-	151,126
Deferred inflows - OPEB	19,858	-	-	19,858
Total Deferred Inflows of Resources	148,299	22,685	-	170,984
Net Position				
Net investment in capital assets	2,094,146	8,833,496	(3,888,702)	7,038,940
Restricted for:				
Debt service	546,662	-	-	546,662
Enabling legislation	940,082	-	-	940,082
Special projects	213,831	-	-	213,831
Unrestricted	5,290,349	2,191,602	3,888,702	11,370,653
Total Net Position	$ 9,085,070	$ 11,025,098	$ -	$ 20,110,168

See Notes to Financial Statements.

Component Unit
$ 3,928,603
-
-
149,981
-
4,078,584
-
-
-
-
4,078,584
-
-
-
22,095
-
-
-
22,095
-
17,037
1,893
18,930
41,025
-
-
-
-
-
-
-
4,037,559
$ 4,037,559

CITY OF WALLER, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2021

		Program Revenues	
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**
Primary Government			
Governmental Activities			
General government	$ 1,387,448	$ 545,695	$ 171,068
Public safety	1,791,985	553,374	48,329
Permits/Code enforcement	639,524	356,404	-
Public works	1,012,260	625,928	-
Culture and recreation	133,898	-	-
Interest and fees on debt	380,083	-	-
Total Governmental Activities	5,345,198	2,081,401	219,397
Business-Type Activities			
Gas	1,071,134	767,170	-
Water and sewer	1,476,186	1,573,167	-
Total Business-Type Activities	2,547,320	2,340,337	-
Total Primary Government	$ 7,892,518	$ 4,421,738	$ 219,397
Component Unit			
Waller Economic Development Corporation	$ 365,775	$ -	$ -

General Revenues:

Taxes

Property taxes

Sales tax

Franchise fees and local taxes

Investment income

Other revenue

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning net position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Unit
$ (670,685)	$ -	$ (670,685)	$ -
(1,190,282)	-	(1,190,282)	-
(283,120)	-	(283,120)	-
(386,332)	-	(386,332)	-
(133,898)	-	(133,898)	-
(380,083)	-	(380,083)	-
(3,044,400)	-	(3,044,400)	-
-	(303,964)	(303,964)	-
-	96,981	96,981	-
-	(206,983)	(206,983)	-
(3,044,400)	(206,983)	(3,251,383)	-
-	-	-	(365,775)
2,517,113	-	2,517,113	-
2,654,694	-	2,654,694	884,898
327,130	-	327,130	-
59,724	4,712	64,436	4,380
24,691	-	24,691	10,065
(2,627,128)	2,627,128	-	-
2,956,224	2,631,840	5,588,064	899,343
(88,176)	2,424,857	2,336,681	533,568
9,173,246	8,600,241	17,773,487	3,503,991
$ 9,085,070	$ 11,025,098	$ 20,110,168	$ 4,037,559

CITY OF WALLER, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2021

	General	Debt Service	Capital Projects	Special Revenue
Assets				
Cash and cash equivalents	$ 9,615,378	$ 417,130	$ 910,291	$ 942,269
Restricted cash and cash equivalents	-	-	458,662	-
Due from other funds	4,193	-	-	-
Investments	-	129,532	-	-
Receivables, net	568,995	29,713	-	21,892
Inventory	17,400	-	-	-
Total Assets	$ 10,205,966	$ 576,375	$ 1,368,953	$ 964,161
Liabilities				
Accounts payable and accrued liabilities	$ 340,410	$ -	$ 228,302	$ 3,358
Due to other funds	-	-	-	4,193
Unearned revenue	432,139	-	681,989	-
Total Liabilities	772,549	-	910,291	7,551
Deferred Inflows of Resources				
Unavailable revenue - property taxes	53,725	29,713	-	-
Unavailable revenue - garbage collections	65,960	-	-	-
	119,685	29,713	-	-
Fund Balances				
Nonspendable:				
Inventory	17,400	-	-	-
Restricted for:				
Debt service	-	546,662	-	-
Enabling legislation	-	-	-	940,082
Capital projects	-	-	458,662	-
Special projects	197,303	-	-	16,528
Assigned:				
Street/fleet reserve	80,000	-	-	-
Unassigned	9,019,029	-	-	-
Total Fund Balances	9,313,732	546,662	458,662	956,610
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 10,205,966	$ 576,375	$ 1,368,953	$ 964,161

See Notes to Financial Statements.

Total Governmental Funds
$ 11,885,068
458,662
4,193
129,532
620,600
17,400
$ 13,115,455
$ 572,070
4,193
1,114,128
1,690,391
83,438
65,960
149,398
17,400
546,662
940,082
458,662
213,831
80,000
9,019,029
11,275,666
$ 13,115,455

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City of Waller, Texas

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

September 30, 2021

Total fund balances for governmental funds		$ 11,275,666
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - nondepreciable	772,247	
Capital assets - net depreciable	8,834,759	
		9,607,006
Long-term liabilities and deferred outflows and deferred inflows related to the net pension asset and total OPEB liability are not reported in the governmental funds.		
Net pension asset	259,082	
Total OPEB liability	(142,396)	
Deferred outflows - pensions	65,417	
Deferred outflows - OPEB	25,763	
Deferred inflows - pensions	(128,441)	
Deferred inflows - OPEB	(19,858)	
		59,567
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		149,398
Some liabilities, including bonds payable and compensated absences, are not reported as liabilities in the governmental funds.		
Accrued interest payable	(61,045)	
Noncurrent liabilities due in one year	(666,271)	
Noncurrent liabilities due in more than one year	(11,279,251)	
		(12,006,567)
Net Position of Governmental Activities		$ 9,085,070

See Notes to Financial Statements.

City of Waller, Texas

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

For the Year Ended September 30, 2021

	General	Debt Service	Capital Projects	Special Revenue
Revenues				
Property taxes	$ 1,799,651	$ 726,280	$ -	$ -
Sales tax	2,654,694	-	-	-
Franchise fees and local taxes	155,089	-	-	172,041
Licenses and permits	356,404	-	-	-
Fines and forfeitures	504,889	-	-	48,485
Charges for services	543,618	-	-	-
Intergovernmental	171,068	-	-	51,315
Investment income	47,569	4,074	8,081	-
Other revenue	21,705	-	625,928	-
Total Revenues	6,254,687	730,354	634,009	271,841
Expenditures				
Current:				
General government	1,069,357	-	-	59,603
Public safety	1,620,734	-	-	90,706
Permits/Code enforcement	642,779	-	-	-
Public works	987,071	-	-	12,212
Culture and recreation	95,672	-	-	14,336
Capital outlay	-	-	2,360,873	-
Debt Service:				
Principal	33,411	545,000	-	-
Interest and fiscal charges	5,832	395,756	-	-
Bond issuance costs	-	58,220	-	-
Total Expenditures	4,454,856	998,976	2,360,873	176,857
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,799,831	(268,622)	(1,726,864)	94,984
Other Financing Sources (Uses)				
Transfers in	86,376	238,000	194	12,212
Transfers out	(608,656)	(194)	-	(14,282)
Bond proceeds	-	1,975,000	-	-
Payment to escrow	-	(1,910,866)	-	-
Total Other Financing Sources (Uses)	(522,280)	301,940	194	(2,070)
Net Change in Fund Balances	1,277,551	33,318	(1,726,670)	92,914
Beginning fund balances	8,036,181	513,344	2,185,332	863,696
Ending Fund Balances	$ 9,313,732	$ 546,662	$ 458,662	$ 956,610

See Notes to Financial Statements.

Total Governmental Funds
$ 2,525,931
2,654,694
327,130
356,404
553,374
543,618
222,383
59,724
647,633
7,890,891
1,128,960
1,711,440
642,779
999,283
110,008
2,360,873
578,411
401,588
58,220
7,991,562
(100,671)
336,782
(623,132)
1,975,000
(1,910,866)
(222,216)
(322,887)
11,598,553
$ 11,275,666

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CITY OF WALLER, TEXAS

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

For the Year Ended September 30, 2021

Amounts reported for governmental activities in the Statement of Activities are different because:		
Net changes in fund balances - total governmental funds	$	(322,887)
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		71,228
Depreciation expense		(423,928)
Revenues that do not provide current financial resources are not reported as revenues in the funds.		
Deferred inflows of resources - unavailable revenue		(6,741)
Changes in pension and other postemployment benefits (OPEB) activity do not affect the fund balances on the statement of revenues, expenditures, and changes in fund balances for the governmental funds. These changes in pension and OPEB activity that affect the City's net position are as follows:		
Net pension asset		92,456
Total OPEB liability		(11,551)
Deferred outflows - pensions		18,844
Deferred outflows - OPEB		8,431
Deferred inflows - pensions		(25,904)
Deferred inflows - OPEB		(8,198)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) 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 they are first issued, whereas these amounts are deferred and amortized in the Statement of Activities.		
Bond proceeds		(1,975,000)
Amortization of bond premiums		10,656
Payment to refunded bond escrow agent		1,910,866
Change in deferred outflows of resources from refunded bonds		5,122
Change in compensated absences		(15,708)
Principal payment on debt and capital leases		578,411
Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Accrued interest		5,727
Change in Net Position of Governmental Activities	$	(88,176)

See Notes to Financial Statements.

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CITY OF WALLER, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUNDS

September 30, 2021

	Gas	Water and Sewer	Total Proprietary Funds
Assets			
Current assets			
Cash and cash equivalents	$ 691,312	$ 1,228,271	$ 1,919,583
Restricted cash and cash equivalents	14,289	31,310	45,599
Receivables, net	83,994	207,205	291,199
Inventory	35,863	31,395	67,258
Total Current Assets	825,458	1,498,181	2,323,639
Noncurrent assets			
Net pension asset	-	18,105	18,105
Capital assets:			
Nondepreciable	-	1,778,740	1,778,740
Net depreciable capital assets	698,849	6,355,907	7,054,756
Total Noncurrent Assets	698,849	8,152,752	8,851,601
Total Assets	1,524,307	9,650,933	11,175,240
Deferred Outflows of Resources			
Deferred outflows - pensions	-	5,323	5,323
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	22,895	53,950	76,845
Customer deposits	14,289	31,310	45,599
Compensated absences	2,697	6,605	9,302
Total Current Liabilities	39,881	91,865	131,746
Noncurrent liabilities			
Compensated absences	300	734	1,034
Total Noncurrent Liabilities	300	734	1,034
Total Liabilities	40,181	92,599	132,780
Deferred Inflows of Resources			
Deferred inflows - pensions	-	22,685	22,685
Net Position			
Net investment in capital assets	698,849	8,134,647	8,833,496
Unrestricted	785,277	1,406,325	2,191,602
Total Net Position	$ 1,484,126	$ 9,540,972	$ 11,025,098

See Notes to Financial Statements.

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City of Waller, Texas

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

For the Year Ended September 30, 2021

	Gas	Water and Sewer	Total Proprietary Funds
Operating Revenues			
Charges for services	$ 767,170	$ 1,520,360	$ 2,287,530
Other revenue	-	52,807	52,807
Total Operating Revenues	767,170	1,573,167	2,340,337
Operating Expenses			
Costs of sales and services	1,003,532	1,148,490	2,152,022
Depreciation	67,602	327,696	395,298
Total Operating Expenses	1,071,134	1,476,186	2,547,320
Operating Income (Loss)	(303,964)	96,981	(206,983)
Nonoperating Revenues (Expenses)			
Investment income	1,488	3,224	4,712
Total Nonoperating Revenues	1,488	3,224	4,712
Income (Loss) Before Contributions and Transfers	(302,476)	100,205	(202,271)
Contributions and Transfers			
Capital contributions	415,652	1,925,126	2,340,778
Transfers in	396,444	-	396,444
Transfers out	-	(110,094)	(110,094)
Total Contributions and Transfer	812,096	1,815,032	2,627,128
Change in Net Position	509,620	1,915,237	2,424,857
Beginning net position	974,506	7,625,735	8,600,241
Ending Net Position	$ 1,484,126	$ 9,540,972	$ 11,025,098

See Notes to Financial Statements.

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CITY OF WALLER, TEXAS

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended September 30, 2021

	Gas	Water and Sewer	Total Proprietary Funds
Cash Flows from Operating Activities			
Receipts from customers	$ 731,429	$ 1,549,274	$ 2,280,703
Payments to suppliers and employees	(989,545)	(1,158,420)	(2,147,965)
Net Cash Provided (Used) by Operating Activities	(258,116)	390,854	132,738
Cash Flows from Noncapital Financing Activities			
Transfers in (out)	396,444	(110,094)	286,350
Net Cash (Used) by Noncapital Financing Activities	396,444	(110,094)	286,350
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of capital assets	(29,542)	(75,057)	(104,599)
Net Cash (Used) by Capital and Related Financing Activities	(29,542)	(75,057)	(104,599)
Cash Flows from Investing Activities			
Interest on investments	1,488	3,224	4,712
Net Cash Provided by Investing Activities	1,488	3,224	4,712
Net Increase (Decrease) in Cash and Cash Equivalents	110,274	208,927	319,201
Beginning cash and cash equivalents	595,327	1,050,654	1,645,981
Ending Cash and Cash Equivalents	$ 705,601	$ 1,259,581	$ 1,965,182
Ending Cash and Cash Equivalents			
Unrestricted cash and cash equivalents	$ 691,312	$ 1,228,271	$ 1,919,583
Restricted cash and cash equivalents	14,289	31,310	45,599
	$ 705,601	$ 1,259,581	$ 1,965,182
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating income (loss)	$ (303,964)	$ 96,981	$ (206,983)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	67,602	327,696	395,298
Changes in Operating Assets and Liabilities:			
(Increase) Decrease in:			
Accounts receivable	(35,741)	(23,893)	(59,634)
Inventories	15,232	(4,940)	10,292
Net pension asset	-	(6,021)	(6,021)
Deferred outflows - pensions	-	4,591	4,591
Increase (Decrease) in:			
Accounts payable and accrued liabilities	(2,192)	(8,818)	(11,010)
Compensated absences	(907)	1,058	151
Deferred inflows - pensions	-	825	825
Customer deposits	1,854	3,375	5,229
Net Cash Provided (Used) by Operating Activities	$ (258,116)	$ 390,854	$ 132,738
Noncash Investing, Capital, and Financing Activities:			
Contributions of capital assets	$ 415,652	$ 1,925,126	$ 2,340,778

See Notes to Financial Statements.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The City of Waller, Texas (the "City") was incorporated under the laws of the State of Texas (the "State") on October 16, 1947. The City is a general law city that operates under a council-mayor form of government. The City Council is the principal legislative body of the City.

The City provides the following services: general government, public safety, code enforcement, public works, and culture and recreation.

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

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

Discretely Presented Component Unit

Waller Economic Development Corporation

The Waller Economic Development Corporation (WEDC) has been included in the reporting entity as a discretely presented component unit.

The WEDC was created by the City under the Texas Development Corporation Act of 1979 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the City. The Board of Directors is appointed by, and serves at the discretion of, the City Council. City Council approval is required for annual budgets and bonded debt issuance. In the event of dissolution, net position of the WEDC shall be conveyed to the City. The operations of the WEDC are presented as a governmental fund type. Separate financial statements of the WEDC may be obtained from the City Secretary.

B. Government-Wide Financial Statements

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

C. Basis of Presentation – Government-Wide Financial Statements

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

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

D. Basis of Presentation – Fund Financial Statements

The fund financial statements provide information about the City's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column.

The City reports the following governmental funds:

The *general fund* is used to account for all financial transactions not properly includable in other funds. The principal sources of revenue include local property taxes, sales tax, franchise fees, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, code enforcement, public works, and culture and recreation. The general fund is always considered a major fund for reporting purposes.

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

The *capital projects fund* is used to account for the expenditures of resources accumulated from sales tax revenues and the sale of bonds and related interest earnings for capital improvement projects. The capital projects fund is considered a major fund for reporting purposes.

The *special revenue fund* is used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The special revenue fund is considered a nonmajor fund for reporting purposes, but the City has elected to present it as major due to its significance.

The City reports the following enterprise funds:

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

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

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

E. Measurement Focus and Basis of Accounting

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

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

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

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

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

1. Cash and Cash Equivalents

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

2. Investments

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

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

Direct obligations of the U.S. government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

3. Inventories

The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased (i.e., the first-in/first-out method).

4. Restricted Assets

Certain proceeds of bonds, as well as other resources set aside for specific purposes, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants or contractual agreements. Restricted assets of the capital projects fund are restricted by bond covenants for repayment of debt and to finance construction projects. Restricted assets of the enterprise funds are restricted for customer deposits.

5. Capital Assets

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component unit, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Life
Vehicles and equipment	5 to 10 years
System infrastructure	30 to 40 years
Buildings	20 to 50 years

6. Deferred Outflows/Inflows of Resources

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

Deferred outflows/inflows of resources are amortized as follows:

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

At the fund level, the City has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes and garbage collections. These amounts are deferred and recognized as an inflows of resources in the period that the amounts becomes available.

7. Compensated Employee Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and compensatory time. Amounts accumulated may be paid to employees upon termination of employment or during employment in accordance with the City's personnel policy. The estimated amount of compensation for services provided that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts vested or accumulated vacation leave that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

8. Long-Term Obligations

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

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

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

9. Net Position Flow Assumption

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

10. Fund Balance Flow Assumptions

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

11. Fund Balance Policies

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

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

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

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

12. Estimates

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

13. Pensions

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

14. Other Postemployment Benefits

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

G. Revenues and Expenditures/Expenses

1. Program Revenues

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

2. Property Taxes

Property taxes are levied during October of each year, are due upon receipt of the City's tax bill, and become delinquent on February 1 of the following year. The City's tax lien exists from January 1 (the assessment date) each year until the taxes are paid. The penalties and interest accumulate on the unpaid accounts until July 1, at which time the delinquent accounts are turned over to the tax attorney for legal action. The interest continues to accumulate on the account at one percent per month, but the penalty remains at a maximum of 12 percent until paid.

3. Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. The enterprise 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.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles, except for the capital projects fund which adopts a project length budget. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control in the approved budget, as defined by the charter, is at the department level for all funds. Appropriations lapse at the end of the year, excluding capital project budgets. Supplemental budget appropriations were not made for the year ended September 30, 2021.

Expenditures in Excess of Appropriations

For the year ended September 30, 2021, expenditures exceeded appropriations at the legal level of control as follows:

General Fund		
Permits/Code Enforcement	$	371,190
Culture and Recreation	$	1,105

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Investment Type		Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	$	129,532	0.06
External investment pools		1,031	0.00
Total Fair Value	$	130,563	
Portfolio weighted average maturity			0.06

Credit risk. State law and the City's investment policy limit investments to 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. As of September 30, 2021, the City's investment in TexPool was rated "AAAm" by Standard & Poor's. All other investments are guaranteed (either express or implied) by the full faith and credit of the United States government or the issuing U.S. agency.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy requires funds on deposit at the depository bank to be collateralized by securities with a collective market value of at least 102 percent. As of September 30, 2021, market values of pledged securities and FDIC insurance exceeded bank balances.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexPool

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

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

B. Receivables

Amounts are aggregated into a single accounts receivable line (net of allowance for uncollectibles) for certain funds and aggregated columns. Below is the detail of receivables for the general fund, the debt service fund, the special revenue fund, the enterprise funds, and the component unit, including the applicable allowances for uncollectible accounts:

	General	Debt Service	Special Revenue	Gas	Water/Sewer	Component Unit
Property taxes	$ 53,726	$ 29,713	$ -	$ -	$ -	$ -
Sales taxes	457,569	-	-	-	-	149,981
Accounts	44,445	-	-	74,347	207,314	-
Intergovernmental	727	-	4,193	-	-	-
Allowance	(13,242)	-	-	(14,560)	(69,764)	-
Other receivables	25,770	-	17,699	24,207	69,655	-
	$ 568,995	$ 29,713	$ 21,892	$ 83,994	$ 207,205	$ 149,981

C. Capital Assets

A summary of changes in capital assets for governmental activities for the year end is as follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	$ 73,300	$ 65,105	$ -	$ 138,405
Construction in progress	627,719	6,123	-	633,842
Total capital assets not being depreciated	701,019	71,228	-	772,247
Other capital assets:				
Infrastructure	2,884,310	-	-	2,884,310
Buildings	8,211,105	-	-	8,211,105
Vehicles	872,747	-	-	872,747
Equipment	693,396	-	-	693,396
Total other capital assets	12,661,558	-	-	12,661,558
Less accumulated depreciation for:				
Infrastructure	(1,907,167)	(68,846)	-	(1,976,013)
Buildings	(457,868)	(237,733)	-	(695,601)
Vehicles	(496,927)	(80,019)	-	(576,946)
Equipment	(540,909)	(37,330)	-	(578,239)
Total accumulated depreciation	(3,402,871)	(423,928)	-	(3,826,799)
Other capital assets, net	9,258,687	(423,928)	-	8,834,759
Governmental Activities Capital Assets, Net	$ 9,959,706	$ (352,700)	$ -	9,607,006
			Plus unspent bond proceeds	458,662
			Less associated debt	(7,971,522)
			Net Investment in Capital Assets	$ 2,094,146

All capital assets constructed or paid for with funds of the component unit are titled in the City's name. Accordingly, component unit capital assets and construction in progress are recorded in the governmental activities totals.

Depreciation was charged to governmental functions as follows:

General government	$ 213,568
Public safety	111,428
Public works	74,115
Cultural and recreation	24,817
Total Governmental Activities Depreciation Expense	$ 423,928

The following is a summary of changes in capital assets for business-type activities for the year ended:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Business-Type Activities:				
Capital assets not being depreciated:				
Land	$ 16,671	$ 325,000	$ -	$ 341,671
Construction in progress	1,670,186	738,003	(971,120)	1,437,069
Total capital assets not being depreciated	1,686,857	1,063,003	(971,120)	1,778,740
Other capital assets:				
Building	92,434	-	-	92,434
Water/sewer system	9,368,892	1,878,758	-	11,247,650
Gas system	525,988	415,652	-	941,640
Equipment	655,170	-	-	655,170
Vehicles	118,620	59,084	-	177,704
Total other capital assets	10,761,104	2,353,494	-	13,114,598
Less accumulated depreciation for:				
Building	(63,504)	(2,089)	-	(65,593)
Water/sewer system	(4,701,630)	(309,282)	-	(5,010,912)
Gas system	(249,656)	(52,528)	-	(302,184)
Equipment	(551,741)	(18,272)	-	(570,013)
Vehicles	(98,013)	(13,127)	-	(111,140)
Total accumulated depreciation	(5,664,544)	(395,298)	-	(6,059,842)
Other capital assets, net	5,096,560	1,958,196	-	7,054,756
Business-Type Activities Capital Assets, Net	$ 6,783,417	$ 3,021,199	$ (971,120)	$ 8,833,496

Depreciation was charged to business-type functions as follows:

Gas	$ 67,602
Water/Sewer	327,696
Total Business-Type Activities Depreciation Expense	$ 395,298

D. Long-Term Debt

The following is a summary of changes in the City's total long-term liabilities for the year end. In general, the City uses the general and debt service funds to liquidate governmental long-term liabilities.

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

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds:					
Series 2018	$ 6,550,000	$ -	$ 130,000	$ 6,420,000	$ 135,000
Direct borrowing/placement:					
Series 2014 refunding	290,000	-	100,000	190,000	95,000
Series 2021 refunding	-	1,975,000	15,000	1,960,000	125,000
Total general obligation bonds	6,840,000	1,975,000	245,000	8,570,000 (1)	355,000
Certificates of obligation:					
Series 2012	1,990,000	-	1,990,000	-	-
Series 2017	2,760,000	-	70,000	2,690,000	75,000
Total certificates of obligation	4,750,000	-	2,060,000	2,690,000 (2)	75,000
Notes from direct borrowings and direct placements:					
Series 2016	380,000	-	125,000	255,000 *	125,000
Capital lease	178,343	-	33,411	144,932 *	34,503
Other liabilities:					
Premiums	246,405	-	46,113	200,292 (3)	-
Net pension liability (asset)	(166,626)	-	92,456	(259,082)	-
Total OPEB liability	130,845	11,551	-	142,396	-
Compensated absences	69,590	85,196	69,488	85,298	76,768
Total Governmental Activities	$ 12,428,557	$ 2,071,747	$ 2,671,468	$ 11,828,836	$ 666,271

Long-term liabilities due in more than one year	$ 11,162,565
Portion associated with governmental activities	$ 7,419,600 *
Portion associated with business-type activities	1,150,400 **
	$ 8,570,000 (1)
Portion associated with business-type activities	$ 2,690,000 **
	$ 2,690,000 (2)
Portion associated with governmental activities	$ 151,990 *
Portion associated with business-type activities	48,302 **
	$ 200,292 (3)
* Debt associated with governmental activities capital assets	$ 7,971,522
** Debt associated with business-type activities capital assets	$ 3,888,702

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Business-Type Activities:					
Net pension liability (asset)	$ (12,084)	$ -	$ 6,021	$ (18,105)	$ -
Compensated absences	10,185	17,480	17,329	10,336	9,302
Total Business-Type Activities	$ (1,899)	$ 17,480	$ 23,350	$ (7,769)	$ 9,302
			Long-term liabilities due in more than one year	$ 1,533	

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Component Unit:					
Compensated absences	$ 15,952	$ 7,805	$ 4,827	$ 18,930	$ 17,037
			Long-term liabilities due in more than one year	$ 1,893	

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

Description	Interest Rates	Balance
Governmental Activities		
General Obligation Bonds		
General Operating Refunding Bonds, Series 2014	2.11%	$ 190,000
General Obligation Bonds, Series 2018	3.75-5.00%	6,420,000
General Operating Refunding Bonds, Series 2021	1.51%	1,960,000
Certificates of Obligation		
Certificates of Obligation, Series 2017	3.00-3.50%	2,690,000
Tax Notes		
Tax Notes, Series 2016	1.67%	255,000
Total Bonds, Certificates of Obligation, and Tax Notes		11,515,000
Capital Leases		
2020 Chevrolet Tahoes (4)	3.27%	144,932
Total Capital Leases		144,932
Total General Long-Term Debt		$ 11,659,932

Current Refunding

The City has issued $1,975,000 in General Obligation Refunding Bonds, Series 2021 with an interest rate of 1.51 percent. The net proceeds were used to provide for a current refunding of $1,885,000 of outstanding Certificate of Obligation, Series 2012 (the "Certificates") which had an interest rate ranging from two to three percent. The proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, this portion of the certificates are considered defeased and the liability for those Certificates has been removed from the Statement of Net Position. The reacquisition price was consistent with the net carrying amount of the debt. The current refunding reduced future total debt service payments by $90,000.

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

	Long-Term Debt					
Fiscal Year Ending Sept. 30	**General Obligation Bonds Series 2018**		**General Obligation Bonds (Direct borrowing/placement) Series 2014 and 2021**		**Certificates of Obligation**	
	Principal	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2022	$ 135,000	$ 247,881	$ 220,000	$ 33,605	$ 75,000	$ 86,663
2023	145,000	241,131	220,000	29,713	80,000	84,413
2024	150,000	233,881	130,000	25,821	85,000	82,013
2025	160,000	226,381	135,000	23,858	90,000	79,463
2026	160,000	219,981	140,000	21,820	90,000	76,763
2027-2031	890,000	999,306	780,000	75,651	525,000	340,313
2032-2036	1,060,000	808,506	525,000	16,006	680,000	251,948
2037-2041	1,335,000	593,688	-	-	865,000	128,800
2042-2046	1,640,000	325,606	-	-	200,000	7,000
2047-2048	745,000	42,188	-	-	-	-
Total	$ 6,420,000	$ 3,938,549	$ 2,150,000	$ 226,474	$ 2,690,000	$ 1,137,376

	Long-Term Debt			
Fiscal Year Ending Sept. 30	**Tax Notes (Direct borrowing/placement)**		**Capital Lease**	
	Principal	**Interest**	**Principal**	**Interest**
2022	$ 125,000	$ 3,215	$ 34,503	$ 4,739
2023	130,000	1,086	35,632	3,611
2024	-	-	36,797	2,446
2025	-	-	38,000	1,243
Total	$ 255,000	$ 4,301	$ 144,932	$ 12,039

General obligation bonds are direct obligations of the City for which its full faith and credit are pledged. Repayment of general obligation bonds, certificates of obligation, and tax notes are from taxes levied on all taxable property located within the City. The City is not obligated in any manner for special assessment debt.

Federal Arbitrage

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

E. Interfund Transactions

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

Transfer In	Transfer Out	Amounts
General Fund	Special Revenue Fund	$ 14,282
General Fund	Water and Sewer Fund	72,094
Gas Fund	General Fund	396,444
Debt Service Fund	General Fund	200,000
Debt Service Fund	Water and Sewer Fund	38,000
Capital Projects Fund	Debt Service Fund	194
Special Revenue Fund	General Fund	12,212
		$ 733,226

Amounts transferred from the special revenue fund and water and sewer fund to the general fund are related to their portion of certain governmental expenditures. Amounts transferred from the general fund and the water and sewer fund to the debt service fund are related to their portion of debt expenditures. The general fund transfer to the gas fund is the net result of general fund transfers to pay for a portion of the gas wholesale charges and gas fund cost related to their portion of certain general fund expenditures.

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

Receivable Fund	Payable Fund	Amounts
General Fund	Special Revenue Fund	$ 4,193

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity

As of September 30, 2021, $940,082 of the City's total fund balance is restricted by enabling legislation.

G. Restricted Assets

As of September 30, 2021, the City held restricted cash and cash equivalents in the capital projects fund, the gas fund, and the water and sewer fund for the following purposes:

	Capital Projects	Gas	Water and Sewer
Customer deposits	$ -	$ 14,289	$ 31,310
Bond proceeds	458,662	-	-
Total	$ 458,662	$ 14,289	$ 31,310

IV. OTHER INFORMATION

A. Risk Management

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

B. Contingent Liabilities

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

C. Pension Plan

Texas Municipal Retirement System

Plan Description

The City participates as one of 895 plans in the defined benefit cash-balance plan administered by TMRS. TMRS is a statewide public retirement plan created by the State and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the "TMRS Act") as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS is not fiscally dependent on the State. TMRS issues a publicly available Annual Comprehensive Financial Report that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

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

	2021	**2020**
Employee deposit rate	5.00%	5.00%
Matching ratio (City to employee)	1.5 to 1	1.5 to 1
Years required for vesting	5	5
Service requirement eligibility		
(expressed as age/yrs of service)	60/5, 0/25	60/5, 0/25
Updated service credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	0% of CPI	0% of CPI

Employees Covered by Benefit Terms

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

Inactive employees or beneficiaries currently receiving benefits	20
Inactive employees entitled to, but not yet receiving, benefits	24
Active employees	40
Total	84

Contributions

The contribution rates for employees in TMRS are either five percent, six percent, or seven percent of employee gross earnings, and the City-matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary using the Entry Age Normal (EAN) actuarial cost method. The City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City were required to contribute five percent of their annual gross earnings during the fiscal year. The contribution rates for the City were 3.96 percent and 4.02 percent in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were $86,320, which were more than the required contributions.

Net Pension Liability (Asset)

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

Actuarial Assumptions

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year, 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 active members, healthy retirees, and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a four-year set-forward for males and a three-year set-forward for females. In addition, a 3.5 percent and 3.0 percent minimum mortality rate is applied for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

Discount Rate

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

Changes in the NP(A)

	Increase (Decrease)		
	Total Pension Liability (A)	Plan Fiduciary Net Position (B)	Net Pension Liability / (Asset) (A) - (B)
Changes for the year:			
Service cost	$ 174,053	$ -	$ 174,053
Interest	231,717	-	231,717
Difference between expected and actual experience	(57,678)	-	(57,678)
Contributions - employer	-	79,822	(79,822)
Contributions - employee	-	94,800	(94,800)
Net investment income	-	273,794	(273,794)
Benefit payments, including refunds of employee contributions	(189,040)	(189,040)	-
Administrative expense	-	(1,778)	1,778
Other changes	-	(69)	69
Net Changes	159,052	257,529	(98,477)
Balance at December 31, 2019	3,440,334	3,619,044	(178,710)
Balance at December 31, 2020	$ 3,599,386	$ 3,876,573	$ (277,187)

Sensitivity of the NPL(A) to Changes in the Discount Rate

The following presents the NPL(A) of the City, calculated using the discount rate of 6.75%, as well as what the City's NPL(A) 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%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability (Asset)	$ 100,229	$ (277,187)	$ (595,817)

Pension Plan Fiduciary Net Position

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

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

For the fiscal year ended September 30, 2021, the City recognized pension expense of $317.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 50,520
Changes in actuarial assumptions	6,844	-
Net difference between projected and actual investment earnings	-	100,606
Contributions subsequent to the measurement date	63,896	-
Total	$ 70,740	$ 151,126

$63,896 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the NPL(A) for the fiscal year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ended September 30	Pension Expense
2022	$ (61,504)
2023	(15,954)
2024	(60,920)
2025	(5,904)
Total	$ (144,282)

D. Other Postemployment Benefits

TMRS Supplemental Death Benefits Fund

Plan Description

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

The member city contributes to the SDBF at a contractually required rate (based on the covered payroll of employee members) as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As such, the SDBF is considered to be a single-employer unfunded OPEB defined benefit plan with benefit payments treated as being equal to the employer's yearly contributions for retirees.

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

Benefits

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500. As the SDBF covers both active and retiree participants with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e., no assets are accumulated). Participation in the SDBF as of December 31, 2020 is summarized below:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to, but not yet receiving, benefits	4
Active employees	40
Total	59

Total OPEB Liability

The City's total OPEB liability of $142,396 was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions and Other Inputs

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

Inflation	2.50%
Salary increases	3.50% to 11.50% including inflation
Discount rate	2.75%*
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality rates-service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates-disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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

Changes in the Total OPEB Liability

	Total OPEB Liability
Changes for the year:	
Service cost	$ 8,911
Interest	3,705
Difference between expected and actual experience	(15,980)
Changes of assumptions	16,053
Benefit payments	(1,138)
Net Changes	11,551
Beginning balance	130,845
Ending Balance	$ 142,396

The discount rate decreased from 2.75% as of December 31, 2019 to 2.00% as of December 31, 2020. There were no other changes of assumptions or other inputs that affected measurement of the total OPEB liability during the measurement period.

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

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

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

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	$ 168,580	$ 142,396	$ 121,575

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

For the year ended September 30, 2021, the City recognized OPEB expense of $14,230.

The City reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 17,787
Changes in actuarial assumptions	23,171	2,071
Contributions subsequent to the measurement date	2,592	-
Total	$ 25,763	$ 19,858

$2,592 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the fiscal year ending September 30, 2022.

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

Fiscal Year Ended September 30	OPEB Expense
2022	$ 490
2023	1,467
2024	1,347
2025	9
Total	$ 3,313

E. Chapter 380 Economic Development and Tax AbatementAgreements

1. Chapter 380 Agreements

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

Buc-ee's, Ltd.

The City has entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Buc-ee's, Ltd. (the "Company"). The Company agreed to establish and maintain an office in the City that generates substantial taxable sales. The Company agreed to construct a retail store at least 33,000 square feet in size, in addition to creating a minimum of 120 jobs no later than 36 months following the opening of the store. The Agreement is for a term of 15 years. The City will remit back to the Company 75 percent (of the one percent collected by the City) of the sales tax revenues generated by this Company. During the current fiscal year, the City collected $758,245 in sales taxes from the sales of this business and recorded expenditures of $277,262.

The City also agreed to construct a water line to the store. The Company agreed to advance $215,000 to the City to be repaid by the City at a rate of 5.75 percent per annum. The repayments shall consist of one-eighth of one percent of sales tax revenue generated by the Company and remitted to the City each month. This repayment shall be paid monthly during the 15-year term of this Agreement. Once the reimbursable advance by the Company for the construction of the water line, plus interest, has been reimbursed by the City, payments shall cease and the parties shall have no further obligations under the Agreement. All payments made by the City to the Company for reimbursable costs shall be applied to the payments of accrued but unpaid interest on the outstanding balance of reimbursable costs first and then to the payment of all or any portion of the balance then outstanding second. The water line to the store was repaid in October 2020 and the obligation under this agreement ceased and the parties have no further obligation under the greement.

The City entered into an infrastructure funding agreement (the "Funding Agreement") with the WEDC in which the WEDC agreed to dedicate one-half of all sales tax generated by the Company for a period not to exceed 15 years. The City has agreed to use all funds granted by the WEDC for the sole purpose of developing and constructing the infrastructure projects described in the Funding Agreement or other infrastructure projects specifically approved by the WEDC Board of Directors and City Council.

AFGlobal Corporation, LLC

On June 17, 2019, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with AFGlobal Corporation, LLC (the "Company"). The Company agreed to certain property improvements while continuously occupying and using the improvements to produce oil and gas equipment. The Company will have, and maintain on the property, at least 150 full-time employees. Lastly, the Company will make every effort to maintain a minimum of $20 million in appraised inventory on their property.

The City agreed to pay the Company, for a period of three years commencing on the effective date of the Agreement, an amount of money equal to 50 percent of the amount of ad valorem property taxes actually paid by the Company and received by the City for improvements to the property. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company. No payments were made by the City during fiscal year 2021 related to this Agreement.

Alegacy Development, LLC

On July 15, 2019, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Alegacy Development, LLC (the "Company"). The Company agreed to improvements constructed for the benefit of Laney Directional Drilling. If the Company completes construction of the improvements by December 31, 2019, payment will be based upon property taxes actually paid for tax years 2020, 2021, and 2022. If improvements are completed after January 1, 2020, payments will be based upon property taxes actually paid for tax years 2021, 2022, and 2023. The appraised value of the improvements constructed by the Company shall be an amount in excess of $2,000,000.

The City agreed to pay the Company, for a period of three years, an amount of money equal to the amount of ad valorem property taxes actually paid by the Company and received by the City, derived from the improvements to the leased premises, for the tax years 2020, 2021, and 2022, or tax years 2021, 2022, and 2023. The beginning tax year for payments to the Company will depend upon the date of completion of improvements. "Improvements" shall mean the buildings, structures, and associated betterments for the commercial and industrial operations of Laney Directional Drilling, specifically a two-story building, a covered storage area, and shop, totaling approximately 34,290 square feet, constructed or expanded by the Company on the leased premises. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company.

Wolff Companies, LLC

On September 16, 2019, the WEDC entered into a Chapter 380 Economic Development Agreement (the "Agreement") with Wolff Companies LLC (the "Company"). The Company agreed to construct commercial/industrial park(s) and single family residential units. The estimated cost of the construction is $1,009,669. Prior to receipt of payments from the WEDC, the Company shall provide a contractor's closing statement or other documentation acceptable to the WEDC verifying the cost of construction of the project facilities. The Company also agreed to construct the extension of Beacon Hill Boulevard, and entrance and exit ramps.

The WEDC also agreed to reimburse the Company for one-half the cost of construction of the facilities, not to exceed $500,000. The project will be constructed in two stages. For stage one, the WEDC will reimburse the Company one-half the construction costs of certain project facilities, as outlined in the Agreement, up to a maximum of $250,000. Payment of the funds is contingent upon the Company's completion of the construction of Beacon Hill Boulevard from Owens Road to the Utility Extension and the tying-in of the utility trunk line. For stage two, the WEDC will reimburse the Company one-half the construction costs of certain project facilities, as outlined in the Agreement, up to a maximum of $250,000. Payment of the funds is contingent upon the Company's construction of entrance and exit ramps to enable the property's access to and from US 290 and/or FM 362.

The WEDC is under no obligation to make payments for reimbursement of costs until completion of each stage. If the WEDC terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the WEDC for all payments the WEDC has made to the Company. In the event of termination of this Agreement after completion of the construction of stage one or stage two project facilities, the Company shall be entitled to retain those grant funds previously paid to the Company by the WEDC.

R&L Carriers, Inc

On June 15, 2020, the City entered into a Chapter 380 Economic Development Agreement (the "Agreement") with R&L Carriers, Inc (the "Company"). The Company agreed to develop a commercial trucking terminal within the City limits while continuously occupying the facility. The Company will maintain on the property at least 90 full-time employees and will make every effort to maintain a minimum of $5,000,000 in personal property on the property.

The City agreed to pay the Company, for tax years 2022, 2023, and 2024, an amount of money equal to 50 percent of the amount of ad valorem property taxes actually paid by the Company and received by the City for improvements to the property. If the City terminates the Agreement because of the Company's default or breach of any provision as permitted by the Agreement, the Company will immediately reimburse the City for all payments the City has made to the Company. No payments were made by the City during fiscal year 2021 related to this Agreement.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF WALLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 1,619,178	$ 1,619,178	$ 1,799,651	$ 180,473
Sales tax	2,000,000	2,000,000	2,654,694	654,694
Franchise fees and other taxes	142,000	142,000	155,089	13,089
Licenses and permits	215,100	215,100	356,404	141,304
Fines and forfeitures	454,300	454,300	504,889	50,589
Charges for services	513,350	513,350	543,618	30,268
Intergovernmental	75,000	75,000	171,068	96,068
Investment income	10,000	10,000	47,569	37,569
Other revenue	6,500	6,500	21,705	15,205
Total Revenues	5,035,428	5,035,428	6,254,687	1,219,259
Expenditures				
Current:				
General government	1,206,210	1,206,210	1,069,357	136,853
Public safety	1,765,926	1,765,926	1,620,734	145,192
Permits/Code enforcement	271,589	271,589	642,779	(371,190) *
Public works	1,341,143	1,341,143	987,071	354,072
Culture and recreation	94,567	94,567	95,672	(1,105) *
Principal	33,411	33,411	33,411	-
Interest and fiscal charges	5,832	5,832	5,832	-
Total Expenditures	4,718,678	4,718,678	4,454,856	263,822
Excess of Revenues Over Expenditures	316,750	316,750	1,799,831	1,483,081
Other Financing Sources (Uses)				
Transfers in	-	86,376	86,376	-
Transfers (out)	(200,000)	(662,943)	(608,656)	54,287
Total Other Financing (Uses)	(200,000)	(576,567)	(522,280)	54,287
Change in Fund Balance	$ 116,750	$ (259,817)	1,277,551	$ 1,537,368
Beginning fund balance			8,036,181	
Ending Fund Balance			$ 9,313,732	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
2. * Expenditures exceeded appropriations at the legal level of control.

CITY OF WALLER, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2021

	Measurement Year*			
	2014	**2015**	**2016**	**2017**
Total Pension Liability				
Service cost	$ 107,477	$ 132,493	$ 125,064	$ 130,525
Interest (on the total pension liability)	190,319	195,980	196,181	203,628
Difference between expected and actual experience	(33,536)	(81,153)	(22,342)	(35,472)
Change of assumptions	-	76,719	-	-
Benefit payments, including refunds of employee contributions	(165,870)	(225,930)	(201,383)	(181,215)
Net Change in Total Pension Liability	98,390	98,109	97,520	117,466
Beginning total pension liability	2,748,044	2,846,434	2,944,543	3,042,063
Ending Total Pension Liability	$ 2,846,434	$ 2,944,543	$ 3,042,063	$ 3,159,529
Plan Fiduciary Net Position				
Contributions - employer	$ 60,449	$ 63,296	$ 51,823	$ 63,564
Contributions - employee	67,345	74,434	66,101	70,784
Net investment income	162,554	4,374	194,353	413,613
Benefit payments, including refunds of employee contributions	(165,870)	(225,930)	(201,383)	(181,215)
Administrative expense	(1,697)	(2,664)	(2,196)	(2,145)
Other	(140)	(131)	(118)	(109)
Net Change in Plan Fiduciary Net Position	122,641	(86,621)	108,580	364,492
Beginning plan fiduciary net position	2,841,326	2,963,967	2,877,346	2,985,926
Ending Plan Fiduciary Net Position	$ 2,963,967	$ 2,877,346	$ 2,985,926	$ 3,350,418
Net Pension Liability (Asset)	$ (117,533)	$ 67,197	$ 56,137	$ (190,889)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)	104.13%	97.72%	98.15%	106.04%
Covered Payroll	$ 1,346,908	$ 1,488,686	$ 1,322,025	$ 1,415,675
City's Net Pension Liability (Asset) as a Percentage of Covered Payroll	-8.73%	4.51%	4.25%	-13.48%

* Only seven years of information is currently available. The City will build this schedule over the next three-year period.

Measurement Year*					
2018		2019		2020	
$	144,728	$	145,502	$	174,053
	210,854		219,944		231,717
	(15,954)		(31,377)		(57,678)
	-		17,795		-
	(216,270)		(194,417)		(189,040)
	123,358		157,447		159,052
	3,159,529		3,282,887		3,440,334
$	3,282,887	$	3,440,334	$	3,599,386
$	67,340	$	67,560	$	79,822
	79,784		79,858		94,800
	(100,016)		489,688		273,794
	(216,270)		(194,417)		(189,040)
	(1,940)		(2,777)		(1,778)
	(100)		(84)		(69)
	(171,202)		439,828		257,529
	3,350,418		3,179,216		3,619,044
$	3,179,216	$	3,619,044	$	3,876,573
$	103,671	$	(178,710)	$	(277,187)
	96.84%		105.19%		107.70%
$	1,595,682	$	1,597,163	$	1,895,999
	6.50%		-11.19%		-14.62%

CITY OF WALLER, TEXAS

SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
For the Year Ended September 30, 2021

	Fiscal Year*			
	2014	**2015**	**2016**	**2017**
Actuarially determined contribution	$ 63,068	$ 63,059	$ 52,440	$ 60,138
Contributions in relation to the actuarially determined contribution	63,068	63,059	52,440	60,138
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
Covered payroll	$ 1,335,275	$ 1,465,534	$ 1,308,850	$ 1,386,384
Contributions as a percentage of covered covered payroll	4.30%	4.30%	4.01%	4.34%

*Only eight years of information is currently available. The City will build this schedule over the next two-year period.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Asusmptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	N/A
Asset valuation method	10 year smoothed market, 12% soft corridor
Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Investment rate of return	6.75%
Retirement age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2020 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.

3. Other Information:

There were no benefit changes during the year.

Fiscal Year*			
2018	**2019**	**2020**	**2021**
$ 67,108	$ 63,442	$ 71,321	$ 82,396
67,108	67,246	76,196	86,320
$ -	$ (3,804)	$ (4,875)	$ (3,924)
$ 1,556,283	$ 1,590,779	$ 1,807,775	$ 2,057,601
4.31%	4.23%	4.21%	4.20%

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City of Waller, Texas

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (TMRS)

For the Year Ended September 30, 2021

	Measurement Year*			
	2017	**2018**	**2019**	**2020**
Total OPEB Liability				
Service cost	$ 4,530	$ 5,744	$ 5,271	$ 8,911
Interest (on the total OPEB liability)	3,801	3,843	4,227	3,705
Difference between expected and actual experience	-	(3,887)	(7,618)	(15,980)
Change of assumptions	7,511	(6,673)	18,145	16,053
Benefit payments**	(849)	(957)	(958)	(1,138)
Net Change in Total OPEB Liability	14,993	(1,930)	19,067	11,551
Beginning total OPEB liability	98,715	113,708	111,778	130,845
Ending Total OPEB Liability	$ 113,708	$ 111,778	$ 130,845	$ 142,396
Covered Payroll	$ 1,415,675	$ 1,595,682	$ 1,597,163	$ 1,895,999
Total OPEB Liability as a Percentage of Covered Payroll	8.03%	7.01%	8.19%	7.51%

*Only four years of information is currently available. The City will build this schedule over the next six-year period.

**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 contributions for retirees.

Notes to Required Supplementary Information:

1. Valuation Date:

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

2. Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Inflation	2.50%
Salary increases	3.50% to 10.50% including inflation
Discount rate	2.75%
Administrative expenses	All administrative expenses are paid through the PTF and accounted for under reporting requirements under GASB 68.
Mortality - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3.0% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

3. Other Information:

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

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

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SCHEDULE AND OTHER STATEMENTS

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CITY OF WALLER, TEXAS

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL

DEBT SERVICE FUND

For the Year Ended September 30, 2021

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	$ 706,144	$ 706,144	$ 726,280	$ 20,136
Investment income	1,000	1,000	4,074	3,074
Total Revenues	707,144	707,144	730,354	23,210
Expenditures				
Principal	530,000	545,000	545,000	-
Interest and fiscal charges	411,790	396,790	395,756	1,034
Bond issuance costs	-	63,940	58,220	5,720
Total Expenditures	941,790	1,005,730	998,976	6,754
(Deficiency) of Revenues (Under) Expenditures	(234,646)	(298,586)	(268,622)	29,964
Other Financing Sources (Uses)				
Transfers in	238,000	238,000	238,000	-
Transfers (out)	-	(194)	(194)	-
Bond proceeds	-	1,975,000	1,975,000	-
Payment to escrow	-	(1,910,866)	(1,910,866)	-
Total Other Financing Sources	238,000	301,940	301,940	-
Change in Fund Balance	$ 3,354	$ 3,354	33,318	$ 29,964
Beginning fund balance			513,344	
Ending Fund Balance			$ 546,662	

Notes to Required Supplementary Information:

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

CITY OF WALLER, TEXAS

CONSOLIDATED COMBINING BALANCE SHEET
SUB-FUNDS SPECIAL REVENUE FUND (1 of 2)

September 30, 2021

	Special Revenue	Police Department ED Grant	Hotel/Motel	Christmas Festival
Assets				
Cash and cash equivalents	$ -	$ 1,368	$ 741,468	$ 2,951
Other receivables	-	-	17,699	-
Total Assets	$ -	$ 1,368	$ 759,167	$ 2,951
Liabilities				
Accounts payable	$ -	$ -	$ 144	$ -
Due to other funds	-	-	-	-
Total Liabilities	-	-	144	-
Fund Balances				
Restricted for special projects	-	1,368	-	2,951
Restricted for enabling legislation	-	-	759,023	-
Total Fund Balances	-	1,368	759,023	2,951
Total Liabilities and Fund Balances	$ -	$ 1,368	$ 759,167	$ 2,951

Court Technology	Building Security	Child Safety	Police Department Forfeiture	Library	Court Truancy
$ 57,768	$ 66,772	$ 13,245	$ 20,495	$ 5,118	$ 22,419
-	-	-	-	-	-
$ 57,768	$ 66,772	$ 13,245	$ 20,495	$ 5,118	$ 22,419
$ 91	$ -	$ -	$ -	$ 667	$ -
-	-	-	-	-	-
91	-	-	-	667	-
-	-	-	-	4,451	-
57,677	66,772	13,245	20,495	-	22,419
57,677	66,772	13,245	20,495	4,451	22,419
$ 57,768	$ 66,772	$ 13,245	$ 20,495	$ 5,118	$ 22,419

City of Waller, Texas

CONSOLIDATED COMBINING BALANCE SHEET
SUB-FUNDS SPECIAL REVENUE FUND (2 of 2)

September 30, 2021

	Police Department Click It Or Ticket	Court Jury	2018 CDBG	Tri-County Health Alliance
Assets				
Cash and cash equivalents	$ 1,268	$ 451	$ -	$ 6,490
Other receivables	-	-	4,193	-
Total Assets	$ 1,268	$ 451	$ 4,193	$ 6,490
Liabilities				
Accounts payable	$ -	$ -	$ -	$ -
Due to other funds	-	-	4,193	-
Total Liabilities	-	-	4,193	-
Fund Balances				
Restricted for special projects	1,268	-	-	6,490
Restricted for enabling legislation	-	451	-	-
Total Fund Balances	1,268	451	-	6,490
Total Liabilities and Fund Balances	$ 1,268	$ 451	$ 4,193	$ 6,490

TxDOT 580		Coronavirus Relief		Total	
$	2,456	$	-	$	942,269
	-		-		21,892
$	2,456	$	-	$	964,161
$	2,456	$	-	$	3,358
	-		-		4,193
	2,456		-		7,551
	-		-		16,528
	-		-		940,082
	-		-		956,610
$	2,456	$	-	$	964,161

City of Waller, Texas

CONSOLIDATED COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SUB-FUNDS SPECIAL REVENUE FUND (1 of 2)

For the Year Ended September 30, 2021

	Special Revenue	Police Department ED Grant	Hotel/Motel	Christmas Festival
Revenues				
Franchise and local taxes	$ -	$ -	$ 172,041	$ -
Fines and forfeitures	-	-	-	-
Intergovernmental	-	-	-	-
Total Revenues	-	-	172,041	-
Expenditures				
General government	59,603	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	13,669	-
Total Expenditures	59,603	-	13,669	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	(59,603)	-	158,372	-
Other Financing Sources (Uses)				
Transfers out	-	-	-	-
Transfers in	-	-		-
Total Other Financing (Uses)	-	-	-	-
Net Change in Fund Balances	(59,603)	-	158,372	-
Beginning fund balances	59,603	1,368	600,651	2,951
Ending Fund Balances	$ -	$ 1,368	$ 759,023	$ 2,951

Court Technology	Building Security	Child Safety	Police Department Forfeiture	Library	Court Truancy
$ -	$ -	$ -	$ -	$ -	$ -
15,147	17,077	555	-	-	15,398
-	-	-	-	-	-
15,147	17,077	555	-	-	15,398
-	-	-	-	-	-
15,546	23,429	-	-	-	-
-	-	-	-	-	-
-	-	-	-	667	-
15,546	23,429	-	-	667	-
(399)	(6,352)	555	-	(667)	15,398
-	(6,000)	-	(8,282)	-	-
-	-	-	-	-	-
-	(6,000)	-	(8,282)	-	-
(399)	(12,352)	555	(8,282)	(667)	15,398
58,076	79,124	12,690	28,777	5,118	7,021
$ 57,677	$ 66,772	$ 13,245	$ 20,495	$ 4,451	$ 22,419

City of Waller, Texas

CONSOLIDATED COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES SUB-FUNDS SPECIAL REVENUE FUND (2 of 2)

For the Year Ended September 30, 2021

	Police Department Click It Or Ticket	Court Jury	2018 CDBG	Tri-County Health Alliance
Revenues				
Franchise and local taxes	$ -	$ -	$ -	$ -
Fines and forfeitures	-	308	-	-
Intergovernmental	-	-	-	2,986
Total Revenues	-	308	-	2,986
Expenditures				
General government	-	-	-	-
Public safety	-	-	-	3,402
Public works	-	-	6,089	-
Culture and recreation	-	-	-	-
Total Expenditures	-	-	6,089	3,402
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	308	(6,089)	(416)
Other Financing (Uses)				
Transfers out	-	-	-	-
Transfers in	-	-	6,089	-
tal Other Financing Sources (Uses)	-	-	6,089	-
Net Change in Fund Balances	-	308	-	(416)
Beginning fund balances	1,268	143	-	6,906
Ending Fund Balances	$ 1,268	$ 451	$ -	$ 6,490

TxDOT 580	Coronavirus Relief	Total
$ -	$ -	$ 172,041
-	-	48,485
-	48,329	51,315
-	48,329	271,841
-	-	59,603
-	48,329	90,706
6,123	-	12,212
-	-	14,336
6,123	48,329	176,857
(6,123)	-	94,984
-	-	(14,282)
6,123	-	12,212
6,123	-	(2,070)
-	-	92,914
-	-	863,696
$ -	$ -	$ 956,610

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APPENDIX B

Form of Legal Opinion

BRACEWELL

[CLOSING DATE]

$8,000,000
CITY OF WALLER, TEXAS
CERTIFICATES OF OBLIGATION, SERIES 2022

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

CITY OF WALLER, TEXAS, CERTIFICATES OF OBLIGATION, SERIES 2022, dated June 16, 2022.

The Certificates mature, bear interest, are subject to redemption prior to maturity and may be transferred and exchanged as set out in the Certificates and in the ordinance adopted by the City Council of the City authorizing their issuance (the "Ordinance").

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

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

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

Based upon such examination, it is our opinion that:

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

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

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

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

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

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

APPENDIX C

Specimen Municipal Bond Insurance Policy

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: $__________ in aggregate principal amount of [NAME OF TRANSACTION] [and maturing on]

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)