**OFFICIAL STATEMENT**
**DATED MAY 17, 2022**

**NEW ISSUE - BOOK-ENTRY-ONLY**

**Ratings: S&P "AA" (Stable Outlook)/Insured**
**Moody's: "A1"/Uninsured**
**See ("OTHER INFORMATION - RATING," "- MUNICIPAL BOND INSURANCE," and "- MUNICIPAL BOND INSURANCE RISKS" herein)**

IN THE OPINION OF THE MULLER LAW GROUP, PLLC, BOND COUNSEL, BASED UPON AN ANALYSIS OF EXISTING LAWS, REGULATIONS, RULINGS AND COURT DECISIONS, AND ASSUMING, AMONG OTHER MATTERS, THE ACCURACY OF CERTAIN REPRESENTATIONS AND COMPLIANCE WITH CERTAIN COVENANTS, INTEREST ON THE CERTIFICATES IS EXCLUDED FROM GROSS INCOME FOR FEDERAL INCOME TAX PURPOSES UNDER SECTION 103 OF THE INTERNAL REVENUE CODE OF 1986. IN THE FURTHER OPINION OF BOND COUNSEL, INTEREST ON THE CERTIFICATES IS NOT A SPECIFIC PREFERENCE ITEM FOR PURPOSES OF THE FEDERAL ALTERNATIVE MINIMUM TAX. BOND COUNSEL EXPRESSES NO OPINION REGARDING ANY OTHER TAX CONSEQUENCES RELATED TO THE OWNERSHIP OR DISPOSITION OF, OR THE AMOUNT, ACCRUAL OR RECEIPT OF INTEREST ON, THE CERTIFICATES. SEE "TAX MATTERS" HEREIN.

THE CERTIFICATES **HAVE NOT BEEN** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS.

# $13,125,000
# CITY OF IOWA COLONY, TEXAS
**(A political subdivision located within Brazoria County)**
# COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

**Dated Date: June 1, 2022**
**Interest Accrual Date: Date of Delivery**

**Due: April 1, as shown on page 2**

**PAYMENT TERMS** . . . Interest on the $13,125,000 City of Iowa Colony, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the date of initial delivery (the "Delivery Date") to the underwriter identified below (the "Underwriter"), and will be payable April 1 and October 1 of each year commencing October 1, 2022, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the owners thereof. Principal of, premium, if any, 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 participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" herein. The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas (see "THE CERTIFICATES - PAYING AGENT/REGISTRAR").

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended (the "Act"), and an ordinance of the City of Iowa Colony, Texas (the "City") authorizing the issuance of the Certificates (the "Ordinance"). The Certificates constitute direct obligations of the City, payable from an annual ad valorem tax levied, within the limits prescribed by law, on all taxable property within the City, and from a limited pledge of net revenues of the City's park system in an amount not to exceed $500, as provided in the Ordinance (see "THE CERTIFICATES – AUTHORITY FOR ISSUANCE").

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for (i) all or any part of the acquisition, construction, installation and equipping of a police station and additional City office space physically connected thereto; (ii) the costs of professional services related thereto; and (iii) the costs of issuance of the Certificates.

ASSURED GUARANTY MUNICIPAL

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 Assured Guaranty Municipal Corp. See "OTHER INFORMATION - MUNICIPAL BOND INSURANCE" herein.

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**SEE MATURITY SCHEDULE ON PAGE 2**

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**OPTIONAL REDEMPTION** . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2032, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – OPTIONAL REDEMPTION").

**MANDATORY SINKING FUND REDEMPTION**. . . In addition to the foregoing optional redemption provision, the Term Certificates (as such term is defined herein) are subject to mandatory sinking fund redemption commencing on April 1 of the first year that has been combined to form such Term Certificate and continuing on April 1 in each year thereafter until the stated maturity date of that Term Certificate, and the amount required to be redeemed in any year shall be equal to the principal amount for such year set forth in the serial maturity schedule on page 2 hereof (see "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION").

**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinions of the Attorney General of Texas, and The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel (see APPENDIX C - FORM OF BOND COUNSEL'S OPINION"). Certain legal matters will be passed on for the City by Norton Rose Fulbright US LLP as Special Disclosure Counsel to the City. Certain legal matters will be passed on for the Underwriter by Haynes and Boone, LLP.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through The Depository Trust Company on or about June 14, 2022.

**BAIRD**

**$13,125,000**
**CITY OF IOWA COLONY, TEXAS**
**(A political subdivision located within Brazoria County)**

## COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION SERIES 2022

### MATURITY SCHEDULE

**2022 SERIAL CERTIFICATES**

| Due April 1 | Principal Amount | Interest Rate | Initial Reoffering Yield[(2)] | CUSIP Number[(3)] |
|---|---|---|---|---|
| 2023 | $ 365,000 | 5.000 % | 2.110 % | 462385 AA3 |
| 2024 | 255,000 | 5.000 | 2.480 | 462385 AB1 |
| 2025 | 265,000 | 5.000 | 2.760 | 462385 AC9 |
| 2026 | 275,000 | 5.000 | 2.850 | 462385 AD7 |
| 2027 | 295,000 | 5.000 | 2.970 | 462385 AE5 |
| 2028 | 310,000 | 5.000 | 3.140 | 462385 AF2 |
| 2029 | 320,000 | 5.000 | 3.290 | 462385 AG0 |
| 2030 | 340,000 | 5.000 | 3.370 | 462385 AH8 |
| 2031 | 355,000 | 5.000 | 3.450 | 462385 AJ4 |
| 2032 | 370,000 [(1)] | 5.000 | 3.530 | 462385 AK1 |
| 2033 | 395,000 [(1)] | 5.000 | 3.640 | 462385 AL9 |
| 2034 | 410,000 [(1)] | 5.000 | 3.710 | 462385 AM7 |
| 2035 | 430,000 [(1)] | 5.000 | 3.730 | 462385 AN5 |
| 2036 | 550,000 [(1)] | 5.000 | 3.750 | 462385 AP0 |
| 2037 | 575,000 [(1)] | 5.000 | 3.770 | 462385 AQ8 |

**2022 TERM CERTIFICATES**

$3,345,000 5.000% Term Certificates due April 1, 2042[(1)] 3.860% Yield[(2)] CUSIP 462385 AR6[(3)]
$4,270,000 5.000% Term Certificates due April 1, 2047[(1)] 3.940% Yield[(2)] CUSIP 462385 AS4[(3)]

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(1) The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2032, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2031, or any date thereafter, at the par value thereof plus accrued interest from the most recent interest payment date to the date of redemption. See "THE CERTIFICATES – OPTIONAL REDEMPTION."

(2) The initial reoffering prices or yields on the Certificates are furnished by the Underwriter and represent the initial offering prices or yields to the public, which may be changed by the Underwriter at any time. The initial reoffering yields indicated here represent the lower of the yield when priced to maturity or to the first optional call date.

(3) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. Neither the City, the Financial Advisor, nor Bond Counsel shall be responsible for the selection or correctness of CUSIP numbers shown herein.

*This Official Statement, which includes the cover page and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy 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 representations 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 that 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.*

*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.*

*None of the City, the Financial Advisor, the Underwriter, or Bond Counsel make any representation or warranty with respect to the information contained in the Official Statement regarding the Depository Trust Company ("DTC") or its Book-Entry-Only System as described under "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM" as such information has been provided by DTC.*

*All the summaries of the statutes, ordinances, contracts, audited financial statements, engineering and other related reports set forth in this Official Statement are made subject to all of the provisions of such documents. These summaries do not purport to be complete statements of such provisions, and reference is made to such documents, copies of which are available from the City.*

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

*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.*

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

*Assured Guaranty Municipal Corp. ("AGM") makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading "OTHER INFORMATION – MUNICIPAL BOND INSURANCE" and "APPENDIX D - Specimen Municipal Bond Insurance Policy."*

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**APPENDICES**



The cover page hereof, inside cover page, this page, the appendices included herein and any addenda or amendment hereto, are part of the Official Statement.

## OFFICIAL STATEMENT SUMMARY

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

**THE CITY**..............................The City of Iowa Colony, Texas (the "City"), is a political subdivision and municipal corporation of the State of Texas (the "State") located in Brazoria County, Texas. The City covers approximately 11 square miles (see "INTRODUCTION – DESCRIPTION OF THE CITY").

**THE CERTIFICATES** ...............The Certificates are issued as $13,125,000 Combination Tax and Revenue Certificates of Obligation, Series 2022. The Certificates are issued as serial Certificates maturing April 1, 2023 through and including April 1, 2037, and as term certificates maturing on April 1 in each of the years 2042 and 2047 (the "Term Certificates") (see "THE CERTIFICATES – DESCRIPTION OF THE CERTIFICATES").

**PAYMENT OF INTEREST** .........Interest on the Certificates accrues from the date of delivery and is payable October 1, 2022, and each April 1 and October 1 thereafter until maturity or prior redemption. See "THE CERTIFICATES - DESCRIPTION OF THE CERTIFICATES" and "THE CERTIFICATES - OPTIONAL REDEMPTION."

**AUTHORITY FOR ISSUANCE**.........................................The Certificates are issued pursuant to the general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code and an ordinance to be passed by the City Council of the City on May 23, 2022. See "THE CERTIFICATES - AUTHORITY FOR ISSUANCE."

**SECURITY FOR THE CERTIFICATES** .......................The Certificates constitute direct obligations of the City, payable from the levy and collection of an annual ad valorem tax, within the limits prescribed by law, on all taxable property within the City and a limited pledge of the net revenues of the City's park system in an amount not to exceed $500 (see "THE CERTIFICATES - SECURITY AND SOURCE OF PAYMENT").

**REDEMPTION**.................................The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2032, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES - OPTIONAL REDEMPTION"). Additionally, the Term Certificates are subject to mandatory sinking fund redemption as more fully described herein. See "THE CERTIFICATES – MANDATORY SINKING FUND REDEMPTION."

**NOT QUALIFIED TAX-EXEMPT OBLIGATIONS**..........The City has not designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

**TAX EXEMPTION**....................In the opinion of The Muller Law Group, PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel, interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. See "TAX MATTERS" herein.

**USE OF PROCEEDS** .................Proceeds from the sale of the Certificates will be used for (i) all or any part of the acquisition, construction, installation and equipping of a police station and additional City office space physically connected thereto; (ii) the costs of professional services related thereto; and (iii) the costs of issuance of the Certificates.

**RATINGS**..........................................S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook) to the Certificates with the understanding that, upon delivery of the Certificates, a Policy ensuring the timely payment of the principal of and interest on the Certificates will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") for the Certificates. The Certificates are rated "A1" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. See "OTHER INFORMATION – RATINGS."

**BOOK-ENTRY-ONLY SYSTEM** ...........................................The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, 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 participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "THE CERTIFICATES - BOOK-ENTRY-ONLY SYSTEM."

**PAYMENT RECORD**.............The City has never defaulted in payment of its general obligation tax debt.

**SELECTED FINANCIAL INFORMATION**

| Fiscal Year Ended 9/30 | Estimated City Population[(1)] | Taxable Assessed Valuation | Taxable Assessed Valuation Available for Payment of Debt Service[(2)] | General Obligation Tax Debt | Fiscal Year Debt Service Tax Rate[(4)] | % Total Collections |
|---|---|---|---|---|---|---|
| 2018 | 2,000 | $ 134,904,562 | $ 88,115,835 | $ - | $ - | 99.09% |
| 2019 | 5,000 | 185,776,525 | 94,725,584 | - | - | 99.75% |
| 2020 | 8,154 | 267,289,759 | 109,572,744 | 1,255,000 | 0.000000 | 101.23% |
| 2021 | 8,800 | 653,338,212 | 427,378,632 | 1,100,000 | 0.019900 | 100.44% |
| 2022 | 9,500 | 773,368,370 | 465,710,665 | 14,225,000 (3) | 0.018457 | 98.03% (5) |

(1) Source: The City.
(2) The City created Tax Increment Reinvestment Zone No. 2 (the "Zone") and adopted a Project Plan and Financing Plan for the Zone, which provides that the City will pay Iowa Colony Redevelopment Authority, a local government corporation acting on behalf of the City (the "Authority") 100% of the Tax Increments from the Zone to finance infrastructure being built in the Zone. See "TAX INFORMATION – THE CITY'S TAX INCREMENT REINVESTMENT ZONE." Because the Tax Increments collected on the taxable value of property within the Zone are not available to pay debt service on the City's debt, the debt service tax rate that is required to pay the annual debt service on the City's general obligation debt is calculated based on the City's taxable value after deducting the taxable value in the Zone.
(3) Includes the Certificates.
(4) The City expects the fiscal year 2023 debt service tax rate to increase significantly. See "SELECTED ISSUER INFORMATION – TABLE 7 – TAX ADEQUACY."
(5) As of April 30, 2022.

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

| | For Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| Beginning Balance | $ 3,203,900 | $ 2,372,685 | $ 1,907,671 | $ 1,666,264 | $ 1,075,693 |
| Total Revenue | 5,906,630 | 4,768,142 | 3,791,624 | 2,918,931 | 2,401,114 |
| Total Expenditures | 4,984,965 | 5,514,283 | 3,326,610 | 2,677,524 | 1,810,543 |
| Other Financing Sources (Uses) | - | 1,577,356 | - | - | - |
| Ending Balance | $ 4,125,565 | $ 3,203,900 | $ 2,372,685 | $ 1,907,671 | $ 1,666,264 |

## CITY OFFICIALS, STAFF AND CONSULTANTS

**ELECTED OFFICIALS**

| City Council | Title | Length of Service | Term Expires May |
|---|---|---|---|
| Michael Byrum-Bratsen | Mayor | 6 years* | 2023 |
| McLean Barnett | Council Member | <1 year | 2024 |
| Arnetta Hicks-Murray | Council Member | 3 years | 2024 |
| Marquette Greene-Young | Council Member | 1 year | 2024 |
| Wil Kennedy | Council Member | 1 year | 2023 |
| Chad Wilsey | Council Member/Mayor Pro-Tem | 5 years | 2023 |

* Previously served 3 years as a Council Member and an additional 3 years as Mayor.

**SELECTED ADMINISTRATIVE STAFF**

| Name | Title | Service to City | Total Governmental Service |
|---|---|---|---|
| Robert Hemminger | City Manager | <1 year | 30 years |
| Sandra Castro | Senior Accountant | 2 years | 7 years |
| Kayleen Rosser | City Secretary | 5 years | 5 years |
| Larry Boyd | City Attorney | 24 years | 40 years |

**CONSULTANTS AND ADVISORS**

Auditor........................................................................................................ Whitley Penn LLP

Bond Counsel .............................................................................................. The Muller Law Group, PLLC
Sugar Land, Texas

Financial Advisor ......................................................................................... Masterson Advisors LLC
Houston, Texas

Disclosure Counsel ....................................................................................... Norton Rose Fulbright US LLP
Houston, Texas

For additional information regarding the City, please contact either:

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City of Iowa Colony
12003 Iowa Colony Blvd.
Iowa Colony, Texas 77583
(281) 369-2471 Phone
(281) 369-0005 Fax

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Masterson Advisors LLC
3 Greenway Plaza, Suite 1100
Houston, Texas 77046
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(713) 814-0581 Fax

## OFFICIAL STATEMENT

## RELATING TO

## $13,125,000
## CITY OF IOWA COLONY, TEXAS
## COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION
## SERIES 2022

### INTRODUCTION

This Official Statement, which includes the cover page, and Appendices hereto, provides certain information regarding the issuance of the $13,125,000 City of Iowa Colony, Texas Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates"). Capitalized terms used in this Official Statement, except as otherwise indicated herein, have the same meanings assigned to such terms in the ordinance authorizing the issuance of the Certificates (the "Ordinance"), to be adopted on May 23, 2022 by the City Council of the City of Iowa Colony, Texas (the "City").

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Masterson Advisors LLC, Houston, Texas, by electronic mail or upon payment of reasonable handling, mailing, and delivery charges.

#### DESCRIPTION OF THE CITY

The City is a political subdivision incorporated in 1972 under the laws of the State of Texas (the "State"). In 2005, a resolution was passed to convert the City from a type B general law city to a type A, general law city, and in 2020 the City's population exceeded 5,000 resulting in the City's transition to a Home Rule Municipality by adoption of its City Charter in November of that year after approval by the qualified voters of the City at its November 3, 2020, election. The City's Charter also transitioned the City to the Council-Manager form of government in which the City is governed by an elected Mayor and six-member City Council. The term of office for councilmembers is two years with the terms of the Mayor and three of the Councilmembers' terms expiring in odd-numbered years and the terms of the other three Councilmembers expiring in even-numbered years. The City Manager is the chief administrative and executive officer for the City and manages all day-to-day operations. The 2010 Census population for the City was 1,170 and the 2020 Census estimate was 8,154. The City covers approximately 11 square miles.

### THE CERTIFICATES

#### DESCRIPTION OF THE CERTIFICATES

The Certificates are dated June 1, 2022, and mature on April 1 in each of the years and in the amounts shown on page 2 hereof. Interest will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on April 1 and October 1 of each year, commencing October 1, 2022. The definitive Certificates will be issued only in fully-registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the owners thereof.** Principal of, premium, if any, 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 participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "BOOK-ENTRY-ONLY SYSTEM" herein.

#### AUTHORITY FOR ISSUANCE

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

#### SECURITY AND SOURCE OF PAYMENT

All taxable property within the City is subject to an annual ad valorem tax levied, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the Certificates. The Certificates also are payable from and secured by a limited pledge of the net revenues of the City's park system in an amount not to exceed $500. See "TAX INFORMATION – DEBT TAX RATE LIMITATION."

### SOURCES AND USES OF PROCEEDS

Proceeds from the sale of the Certificates will be used for the purpose of paying all or any part of the costs associated with (i) the acquisition, construction, installation and equipping of a police station and additional City office space physically connected thereto, (ii) the costs of professional services related thereto, and (iii) the costs of issuance of the Certificates.

| | |
|---|---|
| **Sources of Funds** | |
| Par Amount of the Bonds | $ 13,125,000.00 |
| Net Premium | 1,105,492.55 |
| **Total Sources of Funds** | $ 14,230,492.55 |
| | |
| **Uses of Funds** | |
| Deposit to Project Fund | $ 14,000,000.00 |
| Costs of Issuance[(1)] | 165,219.84 |
| Underwriter's Discount | 65,272.71 |
| **Total Uses of Funds** | $ 14,230,492.55 |

(1) Includes professional costs, rating agency fees, fees of the Paying Agent/Registrar, rounding amount and other costs of issuance.

### OPTIONAL REDEMPTION

The City reserves the right, at its option, to redeem Certificates having stated maturities on and after April 1, 2032, in whole or from time to time in part, in principal amounts of $5,000 or any integral multiple thereof, on April 1, 2031, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City shall determine the maturity or maturities (or mandatory sinking fund payments with respect to Term Certificates) to be redeemed and shall direct the Paying Agent to call by lot or other custom method that results in random selection the Certificates, or portions thereof, within such maturity or maturities and in such principal amounts for redemption. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

### MANDATORY SINKING FUND REDEMPTION

The Certificates maturing on April 1 in each of the years 2042 and 2047 (the "Term Certificates"), shall be subject to mandatory sinking fund redemption, in whole or in part (at a redemption price equal to the principal amount thereof and any accrued interest thereon to the date set for redemption), in each of the years and in the amounts set forth below:

| $3,345,000 Term Certificates Due April 1, 2042 | | $4,270,000 Term Certificates Due April 1, 2047 | |
|---|---|---|---|
| **Mandatory Redemption Date** | **Principal Amount** | **Mandatory Redemption Date** | **Principal Amount** |
| 2038 | $ 605,000 | 2043 | $ 775,000 |
| 2039 | 635,000 | 2044 | 810,000 |
| 2040 | 670,000 | 2045 | 850,000 |
| 2041 | 700,000 | 2046 | 895,000 |
| 2042 (maturity) | 735,000 | 2047 (maturity) | 940,000 |

The particular Term Certificates to be mandatorily redeemed shall be selected by lot or other customary random selection method by the Paying Agent/Registrar.

The principal amount of the Term Certificates to be mandatorily redeemed on such mandatory redemption date shall be reduced at the option of the City by the principal amount of such Term Certificate which, by the 45th day prior to such mandatory 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 hereof and not previously credited to a mandatory sinking fund redemption.

**NOTICE OF REDEMPTION**

The Paying Agent/Registrar shall give notice of any redemption of Certificates by sending notice by United States mail, first class, postage prepaid, not less than thirty (30) days before the date fixed for redemption, to the Owner of each Certificate (or part thereof) to be redeemed, at the address shown on the registration books at the close of business on the Business Day next preceding the date of mailing such notice. The notice shall state the redemption date, the redemption price, the place at which the Certificates are to be surrendered for payment, and, if less than all the Certificates outstanding are to be redeemed, an identification of the Certificates or portions thereof to be redeemed. ANY NOTICE SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN, WHETHER OR NOT THE OWNER RECEIVES SUCH NOTICE. NOTICE HAVING BEEN SO GIVEN, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The City reserves the right to give notice of its election or direction to redeem Certificates under "OPTIONAL REDEMPTION" herein 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.

**DEFEASANCE**

The City may defease any or all of the Certificates pursuant to the provisions of the Ordinance and discharge its obligations to the Owners in any manner now or hereafter permitted by law.

Under current Texas law, such discharge may be accomplished either (i) by depositing with the Comptroller of Public Accounts of the State of Texas, with the Paying Agent/Registrar or with any other escrow agent so authorized by law either (i) cash in an amount equal to the principal of and redemption premium, if any, of the Certificates plus interest thereon to the date of maturity or redemption or (ii) pursuant to an escrow or trust agreement, cash and (x) direct noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (y) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and (z) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates.

**BOOK-ENTRY-ONLY SYSTEM**

*This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by DTC while the Certificates are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but none of the City, the Financial Advisor nor the Underwriter take any responsibility for the accuracy or completeness thereof.*

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

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

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

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

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

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

Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to 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.

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

*EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM*… In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed bonds will be issued to the holders and the Certificates will be subject to transfer, exchange, and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES -TRANSFERS AND EXCHANGES" below.

**PAYING AGENT/REGISTRAR**

The initial Paying Agent/Registrar is The Bank of New York Mellon Trust Company, N.A., Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State or other entity duly qualified and legally authorized to serve as and perform the duties and services of 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.

**OWNERSHIP**

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Certificate is registered as the absolute owner of such Certificates for the purposes of making payment of the principal thereof and the interest thereon and for all other purposes, whether or not such Certificate is overdue. Neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary. All payments made to the registered owner of such Certificate in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar for such Certificate to the extent of the sums paid.

**TRANSFERS AND EXCHANGES**

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 to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owners, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Certificates may be assigned by the execution of an assignment form on the respective Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office or the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee.

The ownership of a Certificate may be transferred only upon the presentation and surrender of the Certificate to the Paying Agent/Registrar at the Designated Payment/Transfer Office with such endorsement or other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. No transfer of any Certificate shall be effective until entered in the Register. The Certificates shall be exchangeable upon the presentation and surrender thereof at the Designated Payment/Transfer Office for a Certificate or Certificates of the same maturity and interest rate and in any Authorized Denominations, and in an aggregate principal amount equal to the unpaid principal amount of the Certificates presented for exchange. The Paying Agent/Registrar is authorized to authenticate and deliver Certificates transferred or exchanged in accordance with the Ordinance.

A new Certificate or Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificate being transferred or exchanged, at the Designated Payment/Transfer Office, or sent by United States mail, first class, postage prepaid, to the Owner or his or her designee. Each Certificate delivered by the Paying Agent/Registrar in accordance with this Section shall constitute an original contractual obligation of the City and shall be entitled to the benefits and security of the Ordinance to the same extent as the Certificate or Certificates in lieu of which such Certificate is delivered.

No service charge shall be made to the Owner for the initial registration, any subsequent transfer, or exchange for a different denomination of any of the Certificates. The Paying Agent/Registrar, however, may require the Owner to pay a sum sufficient to cover any tax or other governmental charge that is authorized to be imposed in connection with the registration, transfer or exchange of a Certificate.

Neither the City nor the Paying Agent/Registrar shall be required to issue, transfer, or exchange any Certificate called for redemption, in whole or in part, where such redemption is scheduled to occur within 45 days after the transfer or exchange date; provided, however, such limitation shall not be applicable to an exchange by the Owner of the uncalled principal balance of a Certificate.

**REPLACEMENT 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 presentation and surrender of such mutilated Certificate to the Paying Agent/Registrar. The City or the Paying Agent/Registrar may require the owner to pay all expenses and charges in connection therewith. In the case of any Certificate issued in lieu of and in substitution for a Certificate that has been destroyed, stolen or lost, such new Certificate will be delivered only once the owner (a) furnishes to the Paying Agent/Registrar satisfactory evidence of his or her ownership of and the circumstances of the loss, destruction or theft of such Certificate, (b) furnishes security or indemnity as may be required by the Paying Agent/Registrar and the City, (c) pays all expenses and charges in connection therewith and (d) satisfies any other reasonable requirements imposed by the City and the Paying Agent/Registrar.

**RECORD DATE FOR INTEREST PAYMENT**

The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the fifteenth ($15^{th}$) day of the preceding month. In the event of a 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, if and when funds for the payment of such interest have been received from the City. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be fifteen (15) days after the Special Record Date) shall be sent at least five (5) business days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Holder of a Certificate appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

**REMEDIES IN THE EVENT OF DEFAULT**

The Ordinance does not establish specific events of default with respect to the Certificates or any remedies to a registered owner if the City defaults on the payment of the principal of or interest on any Certificates. Further, the Ordinance does not provide for the appointment of a trustee to protect and enforce the interest of the registered owners upon the occurrence of such a default. If a registered owner of a Certificate does not receive payment of principal or interest when due, the registered owner may seek a writ of mandamus from a court of competent jurisdiction requiring the City to levy and collect taxes. The mandamus remedy, however, may be impractical and difficult to enforce. There is no provision for the acceleration of maturity of principal of a Certificate in the event of a default. A registered owner of a Certificate could file suit against the City if a default occurred in the payment of principal of or interest on any such Certificates; however, a suit for monetary damages could be vulnerable to the defense of sovereign immunity as discussed below, and any judgment could not be satisfied by execution against any property of the City.

The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), 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.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) 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. State 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. 2018). 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 Certificate holders of an entity that has sought protection under Chapter 9.

Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce payment of the Certificates 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. As part of the bankruptcy proceedings, the City has the right to file a plan for adjustment of its debts. If such a plan were confirmed by the Bankruptcy Court, it could, among other things, affect owners by reducing or eliminating the amount of indebtedness, deferring or rearranging the debt service schedule, reducing or eliminating the interest rate, modifying or abrogating the collateral or security arrangements, substituting (in whole or in part) other securities for the Certificates, and otherwise compromising and modifying the rights and remedies of the Owners' claims against the City. 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.

## TAX INFORMATION

*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 county-wide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Brazoria County Appraisal District (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 on certain grounds by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised.

State law permits land designated for agricultural use, open space or timberland to be appraised at its value based on the land's capacity to produce agricultural or timber products rather than at its fair market value. State law also permits under certain circumstances that residential real property inventory held by a person in the trade or business be valued at the price all such property would bring if sold as a unit to a purchaser who would continue the business. Landowners wishing to avail themselves of the agricultural use, open space or timberland designation or residential real property inventory designation must apply for the designation. If a claimant receives the agricultural, open space or timberland designation and later loses it by changing the use of the property or selling it to an unqualified owner, the City can collect taxes based on the new use, including taxes for the previous three (3) years.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates.

### TAXPAYER REMEDIES

The appraisal review board in each county is responsible for resolving disputes between taxpayers and the appraisal district. It is also empowered to determine challenges initiated by taxing units, correct clerical errors in the appraisal records and the appraisal rolls, act on motions to correct appraisal rolls, and determine whether an exemption or a partial exemption is improperly granted. The appraisal review board is independent of the appraisal district. In counties with more than 120,000 in population, the local administrative district judge appoints the appraisal review board members.

A property owner is entitled to protest the value of a tract of property before the appraisal review board in the following circumstances: the value the appraisal district placed on the property is too high; the property was unequally appraised; the appraisal district denied a special appraisal, such as open-space land; the appraisal district failed to provide the property owner with required notices; or as otherwise permitted under the Property Tax Code.

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

A property owner who files a protest must pay the amount of taxes due on the portion of the taxable value of the property subject to the protest that is not in dispute before the delinquency date or the property owner forfeits the right to proceed to a final determination of the protest.

Property owners who are dissatisfied with the decision of the appraisal review board may appeal the decision. Depending upon the circumstances, the property owner may be able to require the appraisal district to go to binding arbitration or to have the appeal heard by the State Office of Administrative Hearings.

If those remedies are not available or if the property owner prefers, it has the right to appeal the decision of the appraisal review board to the state district court in which the property is located. The district court review is by trial de novo, and the district court is required to try all issues of fact and law raised by the pleadings in the manner applicable to civil suits generally. Any party is entitled to trial by jury on demand. The district court will grant relief if it determines that the appraised value of the property exceeds the appraised value required by law or the property is appraised unequally.

A party may appeal the final judgment of the district court as provided by law for appeal of civil suits generally, except that an appeal bond is not required of the chief appraiser, the county, the comptroller, or the commissioners court.

**State Mandated Homestead Exemptions for Veterans**

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

**Local Option Homestead Exemptions**

The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of the appraised 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 provides for a temporary exemption from ad valorem taxation of a portion of the appraised value of certain property that is at least 15% damaged by a disaster and located within an area declared to be a disaster area by the governor of the State. This temporary exemption is automatic if the disaster is declared prior to a taxing unit, such as the City, adopting its tax rate for the tax year. A taxing unit, such as the City, may authorize the exemption at its discretion if the disaster is declared after the taxing unit has adopted its tax rate for the tax year. The amount of the exemption is based on the percentage of damage and is prorated based on the date of the disaster. Upon receipt of an application submitted within the eligible timeframe by a person who qualifies for a temporary exemption under the Property Tax Code, the Appraisal District is required to complete a damage assessment and assign a damage assessment rating to determine the amount of the exemption. The temporary exemption amounts established in the Property Tax Code range from 15% for property less than 30% damaged to 100% for property that is a total loss. Any such temporary exemption granted for disaster-damaged property expires on January 1 of the first year in which the property is reappraised.

**TAX INCREMENT REINVESTMENT ZONES**

A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones (a "zone" or "TIRZ") within its boundaries, and other overlapping taxing units may agree to participate in the zone. The city or county adopts a project and financing plan for the zone. 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 the assessed valuation of taxable real property in the TIRZ and 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 is restricted to paying project and financing costs under the plan.

**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.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFOMRATION – CITY APPLICATION OF PROPERTY TAX CODE" herein.

**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.**

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.

### LEVY AND COLLECTION OF TAXES

The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances. The Property Tax Code permits taxpayers owning homes or certain businesses located in a disaster area and damaged as a direct result of the declared disaster to pay taxes imposed in the year following the disaster in four equal installments without penalty or interest, commencing on February 1 and ending on August 1.

**DEBT TAX RATE LIMITATIONS**

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

**PENALTIES AND INTEREST**

As of January 1 of each year, the City has a lien granted by statute for unpaid taxes on real property, which shall be levied for that tax year. In the event a taxpayer fails to make timely payment owing to the City on real property, a penalty of 6% of the unpaid taxes is incurred in the first month of delinquency and 1% is added monthly until July 1 when the penalty becomes 12%. In addition, interest on delinquent taxes accrues at the rate of 1% per month until paid. If an account is delinquent in July, the City may also impose an additional penalty to defray costs of collection by an attorney, not to exceed 20% of the total amount due.

**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 addition to the automatic stay against collection of delinquent taxes afforded a taxpayer during the pendency of a bankruptcy, a bankruptcy could affect payment of taxes in two other ways: first, a debtor's confirmation plan may allow a debtor to make installment payments on delinquent taxes for up to six years; and second, a debtor may challenge, and a bankruptcy court may reduce, the amount of any taxes assessed against the debtor, including taxes that have already been paid. 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 grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $40,000; the disabled are also granted an exemption of $40,000.

The City has granted an exemption of 10% of the market value of residence homesteads within a minimum of $5,000. The maximum the City can grant is 20%.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

The tax assessor and collector for the City may disregard a homestead exemption and assess and collect a tax pledged for payment of a City debt without deducting the amount of the exemption if (1) prior to the adoption of the exemption, the City pledged the taxes for payment of a debt, and (2) granting the exemption would impair the obligation of the contract creating the debt.

The City taxes nonbusiness personal property (residential inventory).

The Brazoria County Tax Office collects taxes for the City.

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

The City taxes Freeport Property.

The City does not exempt taxes on Goods-in-Transit.

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

The City does not have an adopted tax abatement policy.

The City has one TIRZ within its City limits established in 2010, Zone No. 2. A prior tax increment reinvestment zone, Zone No. 1, has been dissolved.

**THE CITY'S TAX INCREMENT REINVESTMENT ZONE**

The City has created a tax increment reinvestment zone ("Zone No. 2") pursuant to the provisions of the Tax Increment Financing Act, Chapter 311, Texas Tax Code (the "TIF Act"), encompassing approximately 1,082 acres within the boundaries of the City being developed as the master planned community of Meridiana. The City has also established the Iowa Colony Development Authority, a public not-for-profit local government corporation (the "Authority") to aid, assist and act on behalf of the City in the performance of the City's governmental functions within Zone No. 2 and neighboring areas. The taxable value in Zone No. 2 made up approximately 39.8% of the City's taxable value in tax year 2021.

As required under the TIF Act, the City approved a Project Plan and Reinvestment Zone Financing Plan for Zone No. 2, as amended (the "Project Plan"), which sets out the public improvements that are needed to induce development within Zone No. 2. The Plan provides for such public improvements to be constructed and paid for by the developer of Meridiana and for the Authority to reimburse the developer for such costs from the proceeds of bonds issued by the Authority. The Authority's bonds are payable from certain tax collections of the City and Brazoria County, Texas (the "Tax Increments") resulting from their taxation of the increase in the appraised value of real property located in Zone No. 2 since 2010 with respect to the original portion of Zone No. 2 consisting of approximately 956 acres, and 2020 with respect to the annexed portion of Zone No. 2 consisting of approximately 126 acres. Any tax increments remaining after payment of annual debt service on the Authority's bonds are deposited to the Authority's Surplus Fund.

The terms on which the City participates in Zone No. 2 are provided for in the Project Plan and an Amended and Restated Agreement among the City, Zone No. 2 and the Authority (the "Tri-Party Agreement"). Pursuant to the Project Plan and the Tri-Party Agreement, the City agreed to pay into a "Tax Increment Fund" in the City Treasury 100% of the Tax Increments it collects from the property in Zone No. 2 until termination of Zone No. 2, currently set for December 31, 2050. The Tri-Party Agreement provides that all of such Tax Increments will be transferred to the Authority but requires the Authority to pay back to the City 30% of each such payment to be used for City services incurred as a result of the creation and development of Zone No. 2. The Authority may not pledge the payments owed to the City to secure its own debt.

Pursuant to an amendment to the Tri-Party Agreement being approved by the City on May 16, 2022 (the "Amendment"), Zone No. 2 and the Authority agree that the Authority will pay to the City, solely from Tax Increments derived from the collection of City taxes, up to $300,000 per year to offset Zone No. 2's share of increased expenditures incurred by the City as a result of the issuance of the Certificates. The payments will be made solely from amounts held in the Authority's Surplus Fund, provided that the Authority will first reserve the funds necessary to pay the reasonable operation and administrative expense of the Authority and Zone No. 2. If there are not enough funds to pay the $300,000 from the Surplus Fund after reserving the amount necessary for the operation and administrative expenses of the Authority and Zone No. 2, then the $300,000 will be reduced to the extent necessary. The $300,000 payment may also be reduced pursuant to a formula in the Amendment in the event the City voluntarily lowers its ad valorem tax rate from the current rate.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31**

Brazoria County Municipal Utility District No. 31 (the "MUD") is a political subdivision of the State consisting of approximately 977 acres currently within the boundaries of the City. The MUD was created in 2005 to provide a financing mechanism for water, sewer and drainage facilities to serve the area within its boundaries. The developers of the property in the MUD construct the facilities and the MUD reimburses the developers for such costs from the proceeds of its bonds (the "MUD Bonds"). The MUD has the authority to tax the property within its boundaries to pay the principal of and interest on the MUD Bonds and its operating expenses.

Pursuant to a Strategic Partnership Agreement between the MUD and the City dated July 7, 2006, the City exercised its right to annex the property within the MUD in April, 2019; however, pursuant to the agreement, the MUD remains in existence and continues to provide water, sewer and drainage services and may issue bonds until it is abolished by the City. When and if the MUD is abolished by the City, the City will assume the MUD's debts, if any. The taxable value in the MUD made up approximately 40% of the City's taxable value in tax year 2021.

Beginning in 2020, the City began to levy its ad valorem taxes on property within the MUD and entered into a Rebate Agreement with the MUD (the "Rebate Agreement"). The Rebate Agreement provides that the City will rebate to the MUD a total of 70 percent of the tax levy for maintenance and operations collected within the MUD, subject to certain conditions, and retain the remaining 30 percent. The purpose of the Rebate Agreement is to compensate the MUD if it chooses to reduce its property tax levy for debt; however, the MUD is not obligated to do so. Regardless of any other provision, the payments from the City will not exceed the amount by which the MUD reduces its debt service property tax levy, as calculated pursuant to the terms of the Rebate Agreement, and assuming a MUD debt service tax rate of not more than $0.80 per $100 assessed valuation.

The rebate begins with taxes levied in 2020 and is payable semiannually on the last day of March and August for a period of twenty years. According to the City's financial audit for fiscal year ended September 30, 2021, the City paid the MUD $1,000,618 during that period.

The City retains the full amount of the taxes it collects for debt service on assessed values within the MUD. The City's debt service tax levy is used to make payments of principal and interest on the Certificates as well as other general obligation debt of the City.

**BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 87**

A petition for the creation of Brazoria County Municipal Utility District No. 87 (the "New MUD"), a proposed new political subdivision of the State consisting of approximately 560 acres, is pending approval by the Texas Commission on Environmental Quality. The New MUD is being created to provide a financing mechanism for water, sewer and drainage facilities to serve the land within its boundaries. The developers of the property in the New MUD plan to construct the facilities and the New MUD will reimburse the developers for such costs from the proceeds of its bonds (the "New MUD Bonds"). The New MUD will have the authority to tax the property within its boundaries to pay the principal of and interest on the New MUD Bonds and its operating expenses.

Currently, the property within the New MUD is vacant and without significant improvements.

The New MUD is in the process of being annexed into the City at the landowners' request, entitling the City to tax the property within the New MUD on the same basis as other City property. The City and the New MUD have no agreements that would require the City to rebate any City taxes to the New MUD. The annexation is anticipated to be complete on May 23, 2022.

## SELECTED ISSUER INFORMATION

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City has no authorized but unissued debt outstanding. Under State law, the City may issue certain obligations, such as the Certificates, secured by ad valorem taxes without an election.

**ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT**

The City does not anticipate issuing any additional general obligation debt in the next twelve months.

**PENSION FUND**

The City provides pension benefits for all of its full-time employees through the Texas Municipal Retirement System ("TMRS"), a State-wide administered pension plan. The City makes annual contributions to the plan equal to the amounts accrued for pension expense. For more detailed information concerning the retirement plan, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note 11.

**OTHER POST-EMPLOYMENT 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 reports the total liability for this plan on the government-wide and proprietary fund financial statements. See APPENDIX B, "Excerpts from the City's Annual Financial Report" – Note 2, L.

**TABLE 1 – VALUATION, EXEMPTION AND GENERAL OBLIGATION DEBT**

| | | |
|---|---|---|
| 2021/2022 Market Valuation Established by Brazoria County Appraisal District (excluding totally exempt property) | | $ 907,250,167 (1) |
| Less Exemptions/Reductions at 100% Market Value: | | |
| Over 65 | $10,625,255 | |
| Disabled Persons | 1,601,717 | |
| Disabled Veteran | 35,359,040 | |
| Homestead Cap Adjustment | 65,071,130 | |
| Productivity Loss | 21,224,655 | $ 133,881,797 |
| 2021/2022 Taxable Assessed Valuation | | $ 773,368,370 |
| Less: Value Attributable to TIRZ No. 2 (2) | | 307,657,705 |
| **2021/2022 Taxable Assessed Value for Calculation of Debt Service Taxes** | | **$ 465,710,665** |
| General Obligation Debt as of 4/30/2022 | | |
| Certificates of Obligation, Series 2020 | | $ 1,100,000 |
| The Certificates | | 13,125,000 |
| Total Outstanding Debt | | $ 14,225,000 |
| Less: Interest and Sinking Fund as of September 30, 2021 | | 56,400 |
| General Obligation Debt Payable from Ad Valorem Taxes | | $ 14,168,600 |
| Maximum Annual General Obligation Debt Service Requirements (2032) | | $ 989,630 |
| **2021/2022 Taxable Assessed Valuation Debt Service Tax Rate Required** | | **$ 0.21684** (3) |
| Ratio of General Obligation Tax Debt to Taxable Assessed Valuation | | 1.83% |

2022 Estimated Population - 9,500

Per Capita Taxable Assessed Valuation - $81,407

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,497

___________

(1) As reported by the Brazoria County Appraisal District. Subject to change due to protest and arbitration process.

(2) The City created Zone No. 2 and adopted a Project Plan and Financing Plan for the Zone which provides that the City will pay Iowa Colony Redevelopment Authority, a local government corporation acting on behalf of the City (the "Authority") 100% of the Tax Increments from the Zone to finance infrastructure being built in the Zone. See "TAX INFORMATION - THE CITY'S TAX INCREMENT REINVESTMENT ZONE." Because the Tax Increments collected on the taxable value of property within the Zone are not available to pay debt service on the City's debt, the debt service tax rate which is required to pay the annual debt service on the City's general obligation debt is calculated based on the City's taxable value after deducting the taxable value in the Zone.

(3) The City's 2021 total tax rate is $0.489209 per $100 assessed valuation. The City anticipates setting approximately the same total tax rate in 2022; however, the interest and sinking fund tax rate will increase and the general fund tax rate will decrease. See "FINANCIAL INFORMATION - TABLE 12 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY" and "INVESTMENT CONSIDERATION – IMPACT ON GENERAL FUND REVENUES."

**TABLE 2 – TAXABLE ASSESSED VALUATION BY CATEGORY**

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | 2021[(1)] | | 2020 | |
| Category | Amount | % of Total | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | $ 761,998,579 | 83.99% | $ 615,436,204 | 81.13% | $ 189,738,029 | 62.87% |
| Real, Residential, Multi-Family | 339,120 | 0.04% | 260,310 | 0.03% | 228,620 | 0.08% |
| Real, Vacant Lots/Tracts | 6,412,698 | 0.71% | 5,169,402 | 0.68% | 4,331,223 | 1.44% |
| Real, Acreage (Land Only) | 21,629,241 | 2.38% | 20,336,273 | 2.68% | 20,644,594 | 6.84% |
| Real, Farm and Ranch Improvements | 26,513,658 | 2.92% | 26,308,273 | 3.47% | 19,626,784 | 6.50% |
| Real, Commercial & Industrial | 14,970,498 | 1.65% | 14,246,437 | 1.88% | 10,489,978 | 3.48% |
| Real and Intangible Personal Utilities | 19,034,654 | 2.10% | 17,566,632 | 2.32% | 15,112,892 | 5.01% |
| Tangible Personal, Commercial & Industrial | 6,472,340 | 0.71% | 7,067,380 | 0.93% | 6,404,530 | 2.12% |
| Tangible Personal, Other | 861,170 | 0.09% | 756,630 | 0.10% | 680,510 | 0.23% |
| Real Property Inventory | 49,018,209 | 5.40% | 51,408,824 | 6.78% | 34,542,447 | 11.45% |
| Total Appraised Value Before Exemptions | 907,250,167 | 100.00% | 758,556,365 | 100.00% | 301,799,607 | 100.00% |
| Less: Total Exemptions/Reductions | 133,881,797 | | 105,218,153 | | 34,509,848 | |
| **Total Taxable Assessed Value** | **$ 773,368,370** | | **$ 653,338,212** | | **$ 267,289,759** | |
| Less: Value Attributable to TIRZ No. 2 | 307,657,705 | | 225,959,580 | | 157,717,015 | |
| **Taxable Value for Calculation of Debt Service Taxes** | **$ 465,710,665** | | **$ 427,378,632** | | **$ 109,572,744** | |

| | Taxable Appraised Value for Fiscal Year Ended September 30, | | | |
|---|---|---|---|---|
| | 2019 | | 2018 | |
| Category | Amount | % of Total | Amount | % of Total |
| Real, Residential, Single-Family | $ 128,976,451 | 59.16% | $ 70,606,085 | 42.63% |
| Real, Residential, Multi-Family | 228,620 | 0.10% | 267,460 | 0.16% |
| Real, Vacant Lots/Tracts | 4,285,856 | 1.97% | 4,520,537 | 2.73% |
| Real, Acreage (Land Only) | 21,138,233 | 9.70% | 21,691,805 | 13.10% |
| Real, Farm and Ranch Improvements | 17,939,633 | 8.23% | 17,799,989 | 10.75% |
| Real, Commercial & Industrial | 10,467,580 | 4.80% | 8,653,208 | 5.22% |
| Real and Intangible Personal Utilities | 5,673,072 | 2.60% | 5,651,862 | 3.41% |
| Tangible Personal, Commercial & Industrial | 4,855,650 | 2.23% | 4,973,260 | 3.00% |
| Tangible Personal, Other | 377,580 | 0.17% | 256,260 | 0.15% |
| Real Property Inventory | 24,069,036 | 11.04% | 31,198,956 | 18.84% |
| Special Inventory | - | 0.00% | 19,330 | 0.01% |
| Total Appraised Value Before Exemptions | 218,011,711 | 100.00% | 165,638,752 | 100.00% |
| Less: Total Exemptions/Reductions | 32,235,186 | | 30,734,190 | |
| **Total Taxable Assessed Value** | **$ 185,776,525** | | **$ 134,904,562** | |
| Less: Value Attributable to TIRZ No. 2 | 91,050,941 | | 46,788,727 | |
| **Taxable Value for Calculation of Debt Service Taxes** | **$ 94,725,584** | | **$ 88,115,835** | |

NOTE: Valuations shown are certified taxable assessed values reported by the Brazoria County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

(1) The increase in taxable value primarily is attributable to the annexation of Brazoria County MUD No. 31. See "TAX INFORMATION – BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31."

**TABLE 3 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY**

| Fiscal Year Ended 9/30 | Estimated Population[(1)] | Taxable Assessed Valuation[(2)] | Taxable Assessed Valuation Per Capita | G.O. Tax Debt Outstanding at End of Year | Ratio of Tax Debt to Taxable Assessed Valuation | Tax Debt Per Capita |
|---|---|---|---|---|---|---|
| 2018 | 2,000 | $ 134,904,562 | $ 67,452 | $ - | 0.00% | $ - |
| 2019 | 5,000 | 185,776,525 | 37,155 | - | 0.00% | - |
| 2020 | 8,154 | 267,289,759 | 32,780 | 1,255,000 | 0.47% | 154 |
| 2021 | 8,800 | 653,338,212 | 74,243 | 1,100,000 | 0.17% | 125 |
| 2022 | 9,500 | 773,368,370 | 81,407 | 14,225,000 (3) | 1.84% | 1,497 |

(1) Source: The City.
(2) As reported by the Brazoria County Appraisal District; subject to change during the ensuing year.
(3) Includes the Certificates.

**TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY**

| Fiscal Year Ended 9/30 | Tax Rate | General Fund | Interest and Sinking Fund | Total Tax Levy[(1)] | % Current Collections | % Total Collections |
|---|---|---|---|---|---|---|
| 2018 | $ 0.429500 | $ 0.429500 | $ 0.000000 | $ 579,415 | 98.49% | 99.09% |
| 2019 | 0.489200 | 0.489200 | 0.000000 | 908,819 | 98.72% | 99.75% |
| 2020 | 0.489200 | 0.489200 | 0.000000 | 1,307,582 | 98.48% | 101.23% |
| 2021 | 0.469200 | 0.449300 | 0.019900 | 3,065,463 | 99.50% | 100.44% |
| 2022 | 0.489209 | 0.470752 | 0.018457 | 3,783,388 | 97.85% | 98.03% |

(1) Total tax levy is calculated before payment to Brazoria County MUD No. 31 and Zone No. 2.
(2) Collections are as of April 30, 2022.

**TABLE 5 – CALCULATION OF INTEREST AND SINKING FUND TAXES**

| Fiscal Year Ended 9/30 | Taxable Assessed Valuation Attributable to Payment of Debt Service | Interest and Sinking Fund Tax Rate | Interest and Sinking Fund Tax Levy | % Current Collections | % Total Collections |
|---|---|---|---|---|---|
| 2018 | $ 88,115,835 | $ 0.000000 | $ - | 98.49% | 99.09% |
| 2019 | 94,725,584 | 0.000000 | - | 98.72% | 99.75% |
| 2020 | 109,572,744 | 0.000000 | - | 98.48% | 101.23% |
| 2021 | 427,378,632 | 0.019900 | 85,048 | 99.50% | 100.44% |
| 2022 | 465,710,665 | 0.018457 | 85,956 | 97.85% | 98.03% |

(1) Collections are as of April 30, 2022.

**TABLE 6 – TEN LARGEST TAXPAYERS**

| Name of Taxpayer | Nature of Property | 2021/2022 Taxable Assessed Valuation | % of Total Taxable Assessed Valuation |
|---|---|---|---|
| Seaway Crude Pipeline Company | Oil and Gas | $ 14,843,060 | 1.92% |
| GR-M1 LTD | Land Developer | 6,783,310 | 0.88% |
| Dalton Investments Inc | Commercial Warehouses | 2,469,309 | 0.32% |
| Perry Homes | Home Builder | 2,314,323 | 0.30% |
| NMS Real Estate | Real Estate | 2,159,741 | 0.28% |
| LGI Homes-Texas LLC | Multi-Family Apartments | 2,022,494 | 0.26% |
| Alto Assets Company | Individual Residences | 1,706,090 | 0.22% |
| I C Holdings LLC | Industrial Manufacturing | 1,687,856 | 0.22% |
| JAK Unlimited LTD | Wholesale Supplier/Distribution Center | 1,509,128 | 0.20% |
| Weekley Homes LLC | Home Builder | 1,487,550 | 0.19% |
| | | $ 36,982,861 | 4.78% |

(1) 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 – TAX ADEQUACY**

| | | | | |
|---|---|---|---|---|
| Average Annual General Obligation Debt Service Requirements (2022-2047) | | | | $ 986,817 |
| **$0.21622** | tax rate on | $465,710,665 | Assessed Value at 98% Collection Produces | $ 986,820 (1) |
| Maximum Annual General Obligation Debt Service Requirements (2032) | | | | $ 989,630 |
| **$0.21684** | tax rate on | $465,710,665 | Assessed Value at 98% Collection Produces | $ 989,650 (1) |

(1) The City created Zone No. 2 and adopted a Project Plan and Financing Plan for the Zone which provides that the City will pay Iowa Colony Redevelopment Authority, a local government corporation acting on behalf of the City (the "Authority") 100% of the Tax Increments from the Zone to finance infrastructure being built in the Zone. See "TAX INFORMATION - THE CITY'S TAX INCREMENT REINVESTMENT ZONE." Because the Tax Increments collected on the taxable value of property within the Zone are not available to pay debt service on the City's debt, the debt service tax rate which is required to pay the annual debt service on the City's general obligation debt is calculated based on the City's taxable value after deducting the taxable value in the Zone.

**TABLE 8 – ESTIMATED OVERLAPPING DEBT**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed 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 should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

| | 2021/2022 Taxable Assessed Value | 2021/2022 Tax Rate | Total G.O. Debt as of 3/31/2022 | Estimated % Applicable | City's Overlapping G.O Debt as of 3/31/2022 |
|---|---|---|---|---|---|
| City of Iowa Colony | $ 773,368,370 | $ 0.489200 | $ 14,225,000 (1) | 100.00% | $ 14,225,000 (1) |
| Brazoria County | 36,362,970,187 | 0.386530 (2) | 213,253,313 (3) | 1.46% | 3,113,498 |
| Alvin ISD | 10,541,864,531 | 1.397700 | 973,510,000 | 6.73% | 65,517,223 |
| Brazoria County MUD No. 31 | 379,031,405 | 0.710000 | 38,930,000 | 100.00% | 38,930,000 |
| Brazoria County MUD No. 53 | 26,447,185 | 1.350000 | 5,440,000 | 3.11% | 169,184 |
| Brazoria County MUD No. 55 | 348,538,777 | 0.885000 | 50,595,000 | 100.00% | 50,595,000 |
| Port Freeport | 16,255,670,851 | 0.040000 | 68,490,000 | 0.85% | 582,165 |
| Total Direct and Overlapping Debt | | | | | $ 173,132,070 |

| | |
|---|---|
| Ratio of Direct and Overlapping Debt to Taxable Assessed Valuation | 22.39% |
| Per Capita Direct and Overlapping Debt | $ 18,224 |
| Total Direct and Overlapping G.O. Debt | $ 173,132,070 |

___________

(1) Includes the Certificates.
(2) Includes the Brazoria County Road and Bridge Fund.
(3) Includes debt issued by Brazoria County Toll Road Authority.

## DEBT INFORMATION

### TABLE 9 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

| Year Ending 9/30 | Outstanding Debt | The Certificates Principal | Interest | Total | Debt Service Requirements |
|---|---|---|---|---|---|
| 2022 | $ 98,970 | | | | $ 98,970 |
| 2023 | 97,440 | $ 365,000 | $ 523,177 | $ 888,177 | 985,617 |
| 2024 | 95,910 | 255,000 | 638,000 | 893,000 | 988,910 |
| 2025 | 99,380 | 265,000 | 625,250 | 890,250 | 989,630 |
| 2026 | 97,748 | 275,000 | 612,000 | 887,000 | 984,748 |
| 2027 | 96,116 | 295,000 | 598,250 | 893,250 | 989,366 |
| 2028 | 94,484 | 310,000 | 583,500 | 893,500 | 987,984 |
| 2029 | 97,852 | 320,000 | 568,000 | 888,000 | 985,852 |
| 2030 | 96,118 | 340,000 | 552,000 | 892,000 | 988,118 |
| 2031 | 99,384 | 355,000 | 535,000 | 890,000 | 989,384 |
| 2032 | 97,548 | 370,000 | 517,250 | 887,250 | 984,798 |
| 2033 | 95,712 | 395,000 | 498,750 | 893,750 | 989,462 |
| 2034 | 98,876 | 410,000 | 479,000 | 889,000 | 987,876 |
| 2035 | 96,938 | 430,000 | 458,500 | 888,500 | 985,438 |
| 2036 | | 550,000 | 437,000 | 987,000 | 987,000 |
| 2037 | | 575,000 | 409,500 | 984,500 | 984,500 |
| 2038 | | 605,000 | 380,750 | 985,750 | 985,750 |
| 2039 | | 635,000 | 350,500 | 985,500 | 985,500 |
| 2040 | | 670,000 | 318,750 | 988,750 | 988,750 |
| 2041 | | 700,000 | 285,250 | 985,250 | 985,250 |
| 2042 | | 735,000 | 250,250 | 985,250 | 985,250 |
| 2043 | | 775,000 | 213,500 | 988,500 | 988,500 |
| 2044 | | 810,000 | 174,750 | 984,750 | 984,750 |
| 2045 | | 850,000 | 134,250 | 984,250 | 984,250 |
| 2046 | | 895,000 | 91,750 | 986,750 | 986,750 |
| 2047 | | 940,000 | 47,000 | 987,000 | 987,000 |
| | $ 1,362,476 | $ 13,125,000 | $ 10,281,927 | $ 23,406,927 | $ 24,769,403 |

### TABLE 10 – INTEREST AND SINKING FUND BUDGET PROJECTIONS

| | | |
|---|---|---|
| Debt Service Requirements, Fiscal Year Ending 9/30/2022 | | $ 98,970 |
| Interest and Sinking Fund, 9/30/2021 | $ 28,703 | |
| Budgeted Property Tax Collection | 100,000 | 128,703 |
| Estimated Interest and Sinking Fund Balance, 9/30/2023 | | $ 29,733 |

## FINANCIAL INFORMATION

**TABLE 11 – CHANGE IN NET POSITION**

| | For Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| **General Revenues:** | | | | | |
| Property Taxes | $ 1,974,318 | $ 946,890 | $ 836,902 | $ 319,201 | $ 437,658 |
| Franchise Taxes | 94,775 | 82,938 | 68,740 | 52,715 | 44,349 |
| Sales and Use Taxes | 716,990 | 449,280 | 279,080 | 169,489 | 97,353 |
| Unrestricted Investment Earnings | 41 | 2,943 | 6,593 | 2,533 | 3,075 |
| Miscellaneous | 12,171 | 415,787 | 8,969 | 53,222 | 1,683 |
| **Program Revenues:** | | | | | |
| Charges for Services | 3,374,414 | 2,943,016 | 2,665,212 | 2,293,818 | 1,781,012 |
| Operating Grants and Contributions | 71,721 | 133,280 | 21,112 | 4,105 | 37,281 |
| Capital Grants and Contributions | 987,315 | 1,862,302 | 2,208,396 | 1,900,400 | 2,416,160 |
| Total Revenues | $ 7,231,745 | $ 6,836,436 | $ 6,095,004 | $ 4,795,483 | $ 4,818,571 |
| **Expenses:** | | | | | |
| General Government | $ 566,093 | $ 496,397 | $ 634,564 | $ 459,218 | $ 436,054 |
| Public Safety | 1,158,614 | 858,642 | 441,465 | 302,604 | 247,047 |
| Public Works | 323,010 | 615,068 | 176,802 | 701,528 | 92,302 |
| Municipal Courts | 348,048 | 203,796 | 136,359 | 145,606 | 124,973 |
| Community Development | 2,978,541 | 2,448,532 | 1,886,841 | 1,118,073 | 943,680 |
| Interest | 18,277 | - | | | |
| Total Expenses | $ 5,392,583 | $ 4,622,435 | $ 3,276,031 | $ 2,727,029 | $ 1,844,056 |
| Changes in Net Position | $ 1,839,162 | $ 2,214,001 | $ 2,818,973 | $ 2,068,454 | $ 2,974,515 |
| Net Position - Beginning of Year | 13,227,736 | 11,013,735 | 8,194,762 | 6,126,308 (1) | 3,158,401 |
| Net Position - End of Year | $ 15,066,898 | $ 13,227,736 | $ 11,013,735 | $ 8,194,762 | $ 6,132,916 |

Source: The City's audited financial statements.
(1) Restated.

**TABLE 12 – GENERAL FUND REVENUES AND EXPENDITURES HISTORY**

| | For Fiscal Year Ended September 30, | | | | |
|---|---|---|---|---|---|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| **Revenues:** | | | | | |
| Property Taxes[1] | $ 1,847,721 | $ 929,518 | $ 828,726 | $ 314,330 | $ 436,361 |
| Sales and Use Taxes | 506,351 | 309,073 | 195,897 | 169,489 | 97,353 |
| Franchise Taxes | 94,155 | 81,867 | 68,740 | 52,715 | 44,349 |
| Licenses and Permits[2] | 2,710,296 | 2,590,668 | 2,370,562 | 2,074,337 | 1,495,242 |
| Charges for Services - Admin Fees | 318,966 | 231,937 | 131,278 | 77,888 | - |
| Fines and Forfeitures | 409,003 | 176,426 | 173,359 | 170,312 | 147,781 |
| Earnings on Investments | 41 | 2,943 | 6,593 | 2,533 | 3,075 |
| Intergovernmental | 7,926 | 29,723 | 7,500 | 4,105 | 176,953 |
| Other | 12,171 | 415,987 | 8,969 | 53,222 | - |
| Total Revenues | $ 5,906,630 | $ 4,768,142 | $ 3,791,624 | $ 2,918,931 | $ 2,401,114 |
| **Expenditures:** | | | | | |
| General Government | $ 613,053 | $ 531,064 | $ 669,525 | $ 504,485 | $ 457,461 |
| Public Safety | 1,022,180 | 902,228 | 441,859 | 285,499 | 237,323 |
| Public Works | 319,389 | 557,379 | 173,394 | 525,524 | 27,330 |
| Municipal Courts | 351,596 | 207,723 | 140,895 | 145,606 | 124,973 |
| Community Development[3] | 2,489,820 | 1,825,874 | 1,543,375 | 1,143,073 | 943,680 |
| Bond Issuance Costs | - | 52,275 | - | - | - |
| Capital Outlay | 188,927 | 1,437,740 | 357,562 | 73,337 | 19,776 |
| Total Expenditures | $ 4,984,965 | $ 5,514,283 | $ 3,326,610 | $ 2,677,524 | $ 1,810,543 |
| **Revenues Over (Under) Expenditures** | $ 921,665 | $ (746,141) | $ 465,014 | $ 241,407 | $ 590,571 |
| **Other Financing Sources (Uses):** | | | | | |
| Proceeds from Sale of Capital Assets | - | 322,356 | - | - | - |
| Proceeds from Issuance of Long-Term Debt | - | 1,255,000 | - | - | - |
| Total Other Financing | - | 1,577,356 | - | - | - |
| Changes in Fund Balance | $ 921,665 | $ 831,215 | $ 465,014 | $ 241,407 | $ 590,571 |
| Fund Balances - Beginning of Year | 3,203,900 | 2,372,685 | 1,907,671 | 1,666,264 | 1,075,693 |
| Fund Balances - End of Year | $ 4,125,565 | $ 3,203,900 | $ 2,372,685 | $ 1,907,671 | $ 1,666,264 |

Source: The City's audited financial statements.

(1) Tax collections shown are net of tax collections attributable to property within the TIRZ and made up approximately 31% of the revenues transferred to the City's general fund in fiscal year ending September 30, 2021. After the issuance of the Certificates, the City expects to increase its debt service tax rate to pay the debt service on the Certificates and retain its total tax rate, which would result in a reduction in the operations and maintenance tax rate. See "INVESTMENT CONSIDERATIONS - IMPACT ON GENERAL FUND REVENUES." The City is preparing its budget for fiscal year 2023.

(2) Includes fees for building permits. The City issued approximately 600 residential building permits in fiscal year 2020 and approximately 1,000 in fiscal year 2021.

(3) Includes a payment to Brazoria County Municipal Utility District No. 31 of $1,000,618 in 2021. See "TAX INFORMATION – BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 31."

**FINANCIAL POLICIES**

*Basis of Accounting* . . . Budgets for the General Fund, and the Debt Service Fund are adopted on a basis consistent with Generally Accepted Accounting Principles ("GAAP"). The budgetary basis of accounting is different than the basis of accounting for auditing purposes. The City does not budget for all component units that are accounted for in the Annual Financial Report.

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

*Debt Service Fund* . . . The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

*Budgetary Procedures* . . . The budget process starts many months before the adoption of the annual budget. In the month of May or June each year, the departments submit their budgetary needs to the City Manager. On or before the first day of August each year, the City Manager is required to submit a budget to the City Council for the ensuing fiscal year with an accompanying message. The budget and all supporting schedules must be filed with the City Secretary when submitted to the City Council and open for public inspection.

The City Council must analyze the budget, making any additions or deletions that they feel appropriate and must, at least ten (10) days prior to the beginning of the next fiscal year, adopt the budget. On final adoption by the City Council, the budget takes effect for the next fiscal year.

Adoption of the budget constitutes adoption of an ordinance appropriating the amounts specified as proposed expenditures and an ordinance levying the property tax as the amount of the tax to be assessed and collected for the corresponding tax year. A separate ordinance is adopted to set the tax rate. Estimated expenditures cannot exceed available resources. Unused appropriations may be transferred to any item required for the same general purpose, except when otherwise specified by the City's charter or State law. Under conditions that may arise and that could not reasonably have been foreseen in the normal process of planning the budget, the City Council may amend or change the budget to provide for any additional expense in which the general welfare of the citizenry is involved. These amendments must be by ordinance, and become an attachment to the original budget.

## INVESTMENTS

The City may invest its investable funds (including bond proceeds and money pledged to the payment of or as security for bonds or other indebtedness issued by the City or obligations under a lease, installment sale, or other agreement of the City) in investments authorized by State law in accordance with investment policies approved by the City Council. Both State law and the City's investment policies are subject to change.

**LEGAL INVESTMENTS**

Under State 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 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 are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the City Council or a designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

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 (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service, if the City Council 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 (x) under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.), or (y) 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 ordinance, order or resolution.

The City is specifically prohibited from investing in: (1) obligations whose payment represents the coupon payments on the outstanding principal balance of the underlying mortgage-backed security collateral and pays no principal; (2) obligations whose payment represents the principal stream of cash flow from the underlying mortgage-backed security and bears no interest; (3) collateralized mortgage obligations that have a stated final maturity of greater than 10 years; and (4) collateralized mortgage obligations the interest rate of which is determined by an index that adjusts opposite to the changes in a market index.

### INVESTMENT POLICIES

Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted "Investment Strategy Statement" that specifically addresses each funds' 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 City Council.

### ADDITIONAL PROVISIONS

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

### TABLE 13 – CURRENT INVESTMENTS

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

| Type of Investments | Book | Market |
|---|---|---|
| Certificates of Deposit | $ 410,415 | $ 410,415 |
| Cash in Demand Accounts | 8,024,960 | 8,024,960 |
| Government Pools | 108,304 | 108,304 |
| | $ 8,133,264 | $ 8,133,264 |

## TAX MATTERS

In the opinion of The Muller Law Group, PLLC, Bond Counsel, ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Certificates. A complete copy of the proposed form of opinion of Bond Counsel is set forth in APPENDIX C hereto.

To the extent the issue price of any maturity of the Certificates is less than the amount to be paid at maturity of such Certificates (excluding amounts stated to be interest and payable at least annually over the term of such Certificates), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Certificates which is excluded from gross income for federal income tax purposes. For this purpose, the issue price of a particular maturity of the Certificates is the first price at which a substantial amount of such maturity of the Certificates is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Certificates accrues daily over the term to maturity of such Certificates on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Certificates to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Certificates. Beneficial Owners of the Certificates should consult their own tax advisors with respect to the tax consequences of ownership of Certificates with original issue discount, including the treatment of Beneficial Owners who do not purchase such Certificates in the original offering to the public at the first price at which a substantial amount of such Certificates is sold to the public.

Certificates purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) ("Premium Certificates") will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of obligations, like the Premium Certificates, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner's basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Certificates should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Certificates. The City has made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Certificates will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Certificates being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Certificates. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel's attention after the date of issuance of the Certificates may adversely affect the value of, or the tax status of interest on, the Certificates. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

Although Bond Counsel is of the opinion that interest on the Certificates is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Certificates may otherwise affect a Beneficial Owner's federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner's other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Certificates to be subject, directly or indirectly, in whole or in part, to federal income taxation or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislature proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Certificates. Prospective purchasers of the Certificates should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel's judgment as to the proper treatment of the Certificates for federal income tax purposes. It is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the City or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The City has covenanted, however, to comply with the requirements of the Code.

Bond Counsel's engagement with respect to the Certificates ends with the issuance of the Certificates, and, unless separately engaged, Bond Counsel is not obligated to defend the City or the Beneficial Owners regarding the tax-exempt status of the Certificates in the event of an audit examination by the IRS. Under current procedures, Beneficial Owners would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the City legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Certificates, and may cause the City or the Beneficial Owners to incur significant expense.

Payments on the Certificates generally will be subject to U.S. information reporting and possibly to "backup withholding." Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Certificates may be subject to backup withholding with respect to "reportable payments," which include interest paid on the Certificates and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Certificates. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number ("TIN") to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a "notified payee underreporting" described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner's federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

## INVESTMENT CONSIDERATIONS

### RECENT EXTREME WEATHER EVENTS

The greater Houston area, including the City, is subject to occasional severe weather events, including tropical storms, hurricanes and winter freezes. There have been multiple storms exceeding a 0.2% probability (i.e., "500-year flood" events) since 2015, including Hurricane Harvey in 2017.

If a future weather event significantly damaged all or part of the taxable improvements within the City, the assessed value of property within the City could be substantially reduced, which could result in a decrease in tax collections. 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.

There are special taxing procedures for areas damaged in a disaster that could affect the amount of taxes due and when they are collected. See "TAX INFORMATION - TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER."

The frequency and intensity of weather events in the Houston region could have a material impact on the long-term development of the region's economy.

### SPECIFIC FLOOD TYPE RISKS

*Ponding (or Pluvial) Flood:* Ponding, or pluvial, flooding occurs when heavy rainfall creates a flood event independent of an overflowing water body, typically in relatively flat areas. Intense rainfall can exceed the drainage capacity of a drainage system, which may result in water within the drainage system becoming trapped and diverted onto streets and nearby property until it is able to reach a natural outlet. Ponding can also occur in a flood pool upstream or behind a dam, levee or reservoir.

*Riverine (or Fluvial) Flood:* Riverine, or fluvial, flooding occurs when water levels rise over the top of river, bayou or channel banks due to excessive rain from tropical systems making landfall and/or persistent thunderstorms over the same area for extended periods of time. The damage from a riverine flood can be widespread. The overflow can affect smaller rivers and streams downstream, or may sheet-flow over land. Flash flooding is a type of riverine flood that is characterized by an intense, high velocity torrent of water that occurs in an existing river channel with little to no notice. Flash flooding can also occur even if no rain has fallen, for instance, after a levee, dam or reservoir has failed or experienced an uncontrolled release, or after a sudden release of water by a debris or ice jam. In addition, planned or unplanned controlled releases from a dam, levee or reservoir also may result in flooding in areas adjacent to rivers, bayous or drainage systems downstream.

Both could impact the City.

**INFECTIOUS DISEASE OUTBREAK – COVID-19**

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

There are currently no COVID-19 related operating limits for any business or other establishment. The Governor retains the right to impose additional restrictions on activities if needed in order to mitigate the effects of COVID-19. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at https://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference into this OFFICIAL STATEMENT.

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

**EXPOSURE TO OIL AND GAS INDUSTRY**

Many energy companies are centered in the Houston area and have manufacturing facilities and offices in the area. Energy is a major driver of the Houston economy. Any downturn in the oil and gas industry could result in declines in the demand for residential and commercial property in the Houston area and could reduce or negatively affect property values or homebuilding activity within the City. In the longer term, the oil and gas industry in Houston may be adversely affected by governmental actions taken to reduce the use of fossil fuel and concerns about global warming.

**IMPACT ON GENERAL FUND REVENUES**

After the issuance of the Certificates, the City expects to increase its debt service tax rate to pay the debt service on the Certificates and reduce its operations and maintenance tax rate commensurately so that it does not increase the overall tax rate. The operations and maintenance tax collections are transferred to the General Fund and used for its general governmental purposes. In fiscal year 2021, they made up approximately 31% of the City's general fund revenues. The City's revenue projections for fiscal year 2023 indicate it will be able to make up the expected reduction in revenue due to a lower maintenance and operations tax rate (1) through growth in taxable value and (2) a $300,000 annual contribution of surplus Tax Increments from the Authority. The Authority's projection is based on the City's preliminary taxable value received from the Appraisal District for tax year 2022 of $971,968,788 (a 14.89% increase from 2021 certified values) and a projected operations and maintenance tax rate of $0.304209 per $100 of assessed valuation, and nets out the portion of the maintenance and operations tax collections that will be transferred to the MUD and TIRZ.

The actual tax collections received by the City may differ from the projection for a number of reasons, including the following: The 2022 preliminary taxable value is the value provided by the Appraisal District as a preliminary indication of value as of January 1, 2022. It is subject to taxpayer protests under the procedures of the Property Tax Code, which may lead to a downward adjustment in value. The certified taxable value, upon which taxes are levied, is likely to be lower than the preliminary value. See "TAX INFORMATION - TAXPAYER REMEDIES." The tax rate that will be used to produce the tax levy for tax year 2022 will be set by the City Council of the City in the fall and may differ from the projected tax rate used in the calculation of projected revenues. See "TAX INFORMATION - PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS." Any voluntary reduction in the tax rate will also reduce the $300,000 contribution from the Authority. See "TAX INFORMATION - THE CITY'S TAX INCREMENT REINVESTMENT ZONE."

The City is also dependent on payments for licenses and permits to fund its general governmental purposes. These revenues primarily come from developers platting land for residential development and builders seeking single family residential building permits. These revenues could fluctuate significantly depending upon the growth in the City's single family housing market. The City issued approximately 600 residential building permits in fiscal year 2020 and approximately 1,000 in fiscal year 2021. The City staff projects that the City will issue approximately 1,200 building permits in fiscal year 2022.

**LITIGATION**

The City is exposed to various risks of losses related to torts, theft of, damage to and destruction of fixed assets; error and omissions; injuries to employees; and natural disasters. The City has obtained commercial insurance coverage for some of these risks and provided various employee education and prevention programs. Various claims and lawsuits may be pending against the City at any given time, however in the opinion of City management, after consultation with legal counsel, the potential loss on all claims and lawsuits will not materially adversely affect the City's financial position.

## OTHER INFORMATION

### RATINGS

S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC, ("S&P") has assigned a municipal bond rating of "AA" (stable outlook), respectively, to the Certificates with the understanding that, upon delivery of the Certificates, a Policy ensuring the timely payment of the principal of and interest on the Certificates will be issued by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") for the Certificates. The Certificates are rated "A1" by Moody's Investors Service, Inc. ("Moody's") without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P and Moody's, respectively. The ratings reflect only the view of S&P and Moody's, respectively, and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P or Moody's, respectively, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

### MUNICIPAL BOND INSURANCE

**BOND INSURANCE POLICY**. . . Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM") 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 D 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.

**ASSURED GUARANTY MUNICIPAL CORP.**. . AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A1" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM 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 relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

*Current Financial Strength Ratings:* On March 18, 2022, Moody's announced it had upgraded AGM's insurance financial strength rating to "A1" (stable outlook) from "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

On October 20, 2021, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2021, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

*Capitalization of AGM:* At March 31, 2022:

- The policyholders' surplus of AGM was approximately $2,909 million.
- The contingency reserve of AGM was approximately $893 million.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,116 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, and (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty UK Limited ("AGUK") and Assured Guaranty (Europe) SA ("AGE").

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGUK and AGE were determined in accordance with accounting principles generally accepted in the United States of America.

*Incorporation of Certain Documents by Reference:* Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (filed by AGL with the SEC on February 25, 2022); and

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2022 (filed by AGL with the SEC on May 6, 2022).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Certificates shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "OTHER INFORMATION – MUNICIPAL BOND INSURANCE" or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

*Miscellaneous Matters:* AGM makes no representation regarding the Certificates or the advisability of investing in the Certificates. In addition, AGM 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 AGM supplied by AGM and presented under the heading "OTHER INFORMATION – MUNICIPAL BOND INSURANCE."

**MUNICIPAL BOND INSURANCE RISKS**

*GENERAL*. . . In the event of default of the scheduled payment of principal of or interest on the Certificates when all or a portion thereof becomes due, any owner of the Certificates shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Certificates by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by 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).

Payment of principal of and interest on the Certificates will not be subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE CERTIFICATES – REMEDIES IN THE EVENT OF DEFAULT"). The Bond Insurer may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the Bondholders.

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 Pledged Revenues as described herein. 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 or the marketability (liquidity) of the Certificates.

If a Policy is acquired, the long-term ratings on the Certificates will be dependent in part on the financial strength of the Bond Insurer and its claims-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 can be given that the long-term ratings of the Bond Insurer and of the ratings on the Certificates, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Certificates.

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

### LEGAL OPINIONS

The Certificates are offered when, as and if issued, subject to the approval by the Attorney General of the State and the rendering of an opinion by The Muller Law Group, PLLC, Sugar Land, Texas, Bond Counsel for the City, in substantially the form attached hereto as APPENDIX C. The City will furnish the Underwriter with a complete transcript of proceedings held incident to the authorization and issuance of the Certificates, including the approving opinion of the Attorney General of the State of Texas as recorded in the Certificate Register of the Comptroller of Public Accounts of the State, to the effect that the Certificates are valid and legally binding obligations of the City under the Constitution and laws of the State. The City will also furnish the approving legal opinion of Bond Counsel in substantially the form attached hereto as APPENDIX C.

In its capacity as Bond Counsel, The Muller Law Group, PLLC, Sugar Land, Texas, has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy or completeness of this Official Statement. Bond Counsel's role in connection with the Official Statement was limited to reviewing the information describing the Certificates in the Official Statement to verify that such descriptions conform to the provisions of the Ordinance. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy or completeness of any of the information contained herein. Certain legal matters will be passed on for the City by Norton Rose Fulbright US LLP as Special Disclosure Counsel. The legal fee to be paid to Bond Counsel and Special Disclosure Counsel for services rendered in connection with the issuance of the Certificates is contingent on the sale and delivery of the Certificates.

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

### LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Pursuant to the Texas Public Securities Act, Chapter 1201, Texas Government Code, as amended, the Certificates, whether rated or unrated, are legal and authorized investments for insurance companies, fiduciaries or trustees and for municipalities and other political subdivision or public agencies. Most political subdivisions in the State are required to adopt investment guidelines under the Public Funds Investment Act, Chapter 2256, Texas Government Code, and such political subdivisions may impose a requirement consistent with such act that the Certificates have a rating of not less than "A" or its equivalent to be legal investments of such entity's funds. The Public Funds Collateral Act, Chapter 2257, Texas Government Code, provides that deposits of public funds, as defined in such chapter must be secured by eligible security. "Eligible Security" is defined to include local government obligations (such as the Certificates) with a rating from a nationally recognized investment firm of "A" or its equivalent.

### REGISTRATION, SALE AND DISTRIBUTION

No registration statement relating to the Certificates has been filed with the United States 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 laws of any other jurisdiction. The City assumes no responsibility for registration or qualification of the Certificates under the securities laws of any other 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 other jurisdictions.

**AUDITED FINANCIAL STATEMENTS**

Whitley Penn LLP, the City's independent auditor, has consented to the inclusion of its opinion and the financial statements of the governmental activities, each major fund, and the discretely presented component unit of the City as of and for the year ended September 30, 2021 as APPENDIX B to the Official Statement. Whitley Penn LLP has not performed any procedures on such financial statements since the date of such reports, nor have they performed any procedures on any other financial information of the City, including without limitation any of the information contained in the Official Statement.

**CERTIFICATION OF THE OFFICIAL STATEMENT**

At the time of payment for and delivery of the Certificates, the City will furnish a Certificate, executed by proper officers, 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 this Official Statement, and any addenda, supplement or amendment thereto, on the date of such Official Statement, on the date of sale of the Certificates and on the date of the 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 this Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect; and (d) there has been no material adverse change in the financial condition of the City since the date of the last audited financial statements of the City.

**FORWARD-LOOKING STATEMENTS DISCLAIMER**

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

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

**UNDERWRITING**

Robert W. Baird & Co., Inc. (the "Underwriter") has agreed, subject to certain conditions, to purchase the Certificates from the City, at a price of $14,165,219.84 (representing the principal amount of the Certificates, plus a net original issue premium of $1,105,492.55, and less an underwriting discount of $65,272.71). The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.

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

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's (the "SEC") Rule 15c2-12 (the "Rule"). Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB").

### ANNUAL REPORTS

The City will provide certain updated financial information and operating data to the MSRB. The information to be updated includes (i) all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 7 and 9 through 13 and in APPENDIX B and (ii) if not provided as part of such financial information and operating data, audited financial statements of the City, when and if available. Any financial statements so to be provided shall be (a) 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 (b) 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 financial statements becomes available.

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

The City's current fiscal year end is September 30. Accordingly, it must provide updated information by March 31 in each year, it must provide updated information by unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

### NOTICE OF CERTAIN EVENTS

The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, 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 successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material, (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of 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.

For these purposes, (A) any event described in (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 (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.

The City will notify the MSRB through EMMA, in a timely manner, of any failure by the City to provide the required annual financial information described above under "- ANNUAL REPORTS" in accordance with the Ordinances by the time required.

**LIMITATIONS AND AMENDMENTS**

The City has agreed to update information and to provide notices of certain specified events only as described above. The City shall be obligated to observe and perform such obligations for so long as, but only for so long as, the City remains an "obligated person" with respect to the Certificates within the meaning of the Rule, except that the City in any event will give notice of any bond calls and any defeasances that cause the City to be no longer an "obligated person."

The provisions of the City's continuing disclosure undertaking are for the sole benefit of the Owners and beneficial owners of the Bonds, and nothing in the City's continuing disclosure undertaking, express or implied, shall give any benefit or any legal or equitable right, remedy, or claim hereunder to any other person. The City has undertaken to provide only the financial information, operating data, financial statements, and notices which it has expressly agreed to provide as described above and has not undertaken to provide any other information that may be relevant or material to a complete presentation of the City's financial results, condition, or prospects or undertaken to update any information provided, except as expressly provided herein. The City does not make any representation or warranty concerning such information or its usefulness to a decision to invest in or sell the Certificates at any future date.

Under no circumstances shall the City be liable to the owner or beneficial owner of any Certificate or any other person, in contract or tort, for damages resulting in whole or in part from any breach by the City, whether negligent or with or without fault on its part, of any covenant specified in its undertaking, and any right and remedy of any such person, in contract or tort, for or on account of any such breach shall be limited to an action for mandamus or specific performance. No default by the City in observing or performing its obligations under its continuing disclosure undertaking shall constitute a breach of or default under the Ordinance for purposes of any other provisions of the Ordinance. Nothing in this paragraph is intended or shall act to disclaim, waive, or otherwise limit the duties of the City under federal and state securities laws.

The City may amend its continuing disclosure undertaking from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (i) the provisions of undertaking, as so amended, would have permitted an underwriter to purchase or sell Certificates in the primary offering of the Certificates 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 Owners of a majority in aggregate principal amount of the outstanding Certificates consent to such amendment or (B) an entity or individual person that is unaffiliated with the City (such as nationally recognized bond counsel) determines that such amendment will not materially impair the interests of the Owners and beneficial owners of the Certificates. The provisions of the City's undertaking may also be amended from time to time or repealed by the City if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction determines that such provisions are invalid, but only if and to the extent that reservation of the City's right to do so would not prevent underwriters of the initial public offering of the Certificates from lawfully purchasing or selling Certificates in such offering. If the City so amends the provisions of its undertaking, it shall include with any amended financial information or operating data next provided as described in Annual Reports, above, an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information or operating data so provided.

**COMPLIANCE WITH PRIOR UNDERTAKINGS**

Prior to the issuance of the Certificates, the City did not have any continuing disclosure requirements in accordance with SEC Rule 15c2-12.

## FINANCIAL ADVISOR

Masterson Advisors LLC is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor's fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Masterson Advisors LLC, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

# **APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Iowa Colony, Texas (the "City") is located in northern Brazoria County on Texas State Highway 288 south of Pearland city limits. It is 22 miles south of the City of Houston. The City has a total area of 7.3 square miles.

The City consists primarily of single-family residential development with some ancillary retail development. There are two master planned communities within the City's boundaries where single family home development is proceeding. The City issued approximately 600 residential building permits in fiscal year 2020, approximately 1,000 in 2021, and anticipates issuing approximately 1,200 in fiscal year 2021. Currently, the City estimates that there are between 4,000 – 4,500 completed single-family houses in Iowa Colony.

With the increase in homes, there has recently been some retail development. One retail strip center was completed in 2021 and another is set to be completed in 2022.

## POPULATION

| 2010 Official Census | 2020 Official Census | 2022 Estimate |
|---|---|---|
| 1,170 | 8,154 | 9,500 |

Source: United States Census Bureau

## CITY FACILITIES

The City currently operates city functions from a single facility, which houses City Hall, the Police Department and the Municipal Court. Proceeds from the sale of the Certificates will be used to construct a new police station. It is anticipated that the police station will house the Police Department as well as the City's administrative offices of City Hall and the Municipal Court. The current City Hall building will transition to a shared Public Works and Parks and Recreation facility.

## EDUCATION

Alvin ISD is Brazoria County's second largest district with two high schools, six middle schools and 14 elementary schools. Alvin schools have earned exemplary ratings from the Texas Education Agency. A new onsite stadium will enhance athletic programs, and test scores in the district continue to trend up as the area grows.

## BRAZORIA COUNTY

Brazoria County (the "County"), within which the City is located, covers an area of 1,609 square miles and comprises the Brazoria Primary Metropolitan Statistical Area, a component of the Houston Metropolitan Statistical Area. The population of the County as of the 2019 Census estimate was 374,264. In 2017, the total Gross Domestic Product in Brazoria County was slightly over $21 billion, with manufacturing contributing the largest portion of that at $10.2 billion. The world's largest basic chemical complex, The Dow Chemical Company, is located in the County, contributing to the extensive petroleum and chemical production in the area. (Source: The Economic Development Alliance for Brazoria County.)

**MAJOR EMPLOYERS**[(1)]

| Employer | Location | Type | Number of Employees |
|---|---|---|---|
| Alvin I.S.D. | Alvin | Education | 3,568 |
| The Dow Chemical Company | Freeport | Chemical | 3,510 |
| Pearland I.S.D. | Pearland | Education | 2,814 |
| Texas Dept. of Criminal Justice | County-wide | Criminal Justice | 2,102 |
| Brazosport I.S.D. | Clute | Education | 1,900 |
| Brazoria County | County-wide | Government | 1,412 |
| Olin Corporation | Freeport | Chemical | 1,250 |
| Angleton I.S.D. | Angleton | Education | 1,044 |
| Phillips 66 | Sweeny | Refining | 1,039 |
| Brand/Safway | Angleton | Scaffolding Systems | 1,009 |
| Wood Group (formerly The Infinity Group) | Clute | Contractor | 1,000 |
| BASF Corporation | Freeport | Chemical | 906 |
| Marquis Construction Services | Clute | Contractor | 804 |
| Kelsey-Seybold | Pearland | Medical | 801 |
| City of Pearland | Pearland | Government | 736 |
| Chevron Phillips Chemical Co. | Sweeny | Chemical | 615 |
| INEOS Olefins & Polymers USA | Alvin | Chemical | 600 |
| ICS | Clute | Contractor | 533 |
| CHI St. Luke's Health Brazosport | Lake Jackson | Medical | 526 |
| Turner Industries | Freeport | Contractor | 513 |
| Ascend Performance Materials | Alvin | Chemical | 503 |

Source: Economic Development Alliance for Brazoria County
(1) Data as of February 28, 2022.

**EMPLOYMENT STATISTICS**

| Brazoria County | | | | |
|---|---|---|---|---|
| Calendar Year | Labor Force | Employment | Unemployment | Unemployment Rate |
| 2016 | 169,940 | 161,111 | 8,829 | 5.2% |
| 2017 | 172,006 | 162,805 | 9,201 | 5.3% |
| 2018 | 174,880 | 166,883 | 7,997 | 4.6% |
| 2019 | 177,569 | 170,069 | 7,500 | 4.2% |
| 2020 | 177,312 | 162,103 | 15,209 | 8.6% |
| 2021 | 180,207 | 167,799 | 12,408 | 6.9% |

Source: Texas Workforce Commission

# APPENDIX B

CITY OF IOWA COLONY, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the City of Iowa Colony, Texas Annual Financial Report for the Year Ended September 30, 2021, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

# CITY OF IOWA COLONY, TEXAS

## ANNUAL FINANCIAL REPORT

**September 30, 2021**

**CITY OF IOWA COLONY, TEXAS**
***TABLE OF CONTENTS***

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and
Members of City Council of
City of Iowa Colony, Texas

**Report on the Financial Statements**

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

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the discretely presented component unit of the City as of September 30, 2021, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Honorable Mayor and
Members of City Council of
City of Iowa Colony, Texas

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

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section and the combining fund statements are not required part of the basic financial statements.

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

Whitley Penn LLP

February 28, 2022
Houston, Texas

As management of the City of Iowa Colony, we offer the readers of the City's financial statements this narrative overview and analysis of the financial activities of the City of Iowa Colony for the fiscal year ended September 30, 2021.

**Overview of the Financial Statements**

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

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.

- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.

- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

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

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. The governmental activities of the City include general government, public safety, public works, municipal court, and community development.

Additionally, the City reports the activities of it sole discretely presented component unit, the Iowa Colony Development Authority in the government-wide financial statements.

The government-wide financial statements can be found beginning on page 10 of this report.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives.

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

Because the focus of 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 general fund and state and federal grants fund, both of which are considered major funds for reporting purposes. Data from the non-major governmental funds is provided in the form of combining statements found beginning on page 38 of this report.

The basic governmental fund financial statements can be found beginning on page 12 of this report.

**Notes to the Basic Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 17 of this report.

**Other Information**. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Iowa Colony's general fund budgetary comparisons and required supplementary pension plan information. Required supplementary information can be found beginning on page 32 of this report.

**Government-wide Financial Analysis**

Below is a condensed schedule of Net Position as of September 30, 2021 and 2020:

***Condensed Schedule of Net Position (in thousands)***
***September 30, 2021 and 2020***

| | Governmental Activities | |
|---|---|---|
| | **2021** | **2020** |
| **Assets** | | |
| Current assets | $ 5,392 | $ 3,708 |
| Restricted assets | 3,390 | 2,315 |
| Capital assets | 11,689 | 11,064 |
| Net Pesion Asset | 5 | - |
| **Total Assets** | 20,476 | 17,087 |
| **Deferred outflows of resources - pension** | 82 | 77 |
| **Liabilities** | | |
| Current liabilities | 4,240 | 2,557 |
| Long term liabilities - net pension liability | 1,175 | 1,313 |
| **Total Liabilities** | 5,415 | 3,870 |
| **Deferred inflows of resources - pension** | 77 | 66 |
| **Net Position:** | | |
| Net investment in capital assets | 10,514 | 9,809 |
| Restricted | 339 | 161 |
| Unrestricted | 4,213 | 3,258 |
| **Total Net Position** | $ 15,066 | $ 13,228 |

Net position may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the City exceeded its liabilities at the close of the most recent fiscal year by $15.1 million. Of this amount, $10.5 million was invested in capital assets, $4.2 million was unrestricted and the balance of $339 thousand was restricted primarily for economic development activities.

Below is a condensed schedule of Changes in Net Position for fiscal year 2021 and 2020:

***Condensed Schedule of Changes in Net Position (in thousands)***
***For the Fiscal Years Ended September 30, 2021 and 2020***

| | Governmental Activities | |
|---|---|---|
| **Revenues** | **2021** | **2020** |
| Program Revenues: | | |
| Charges for services: | | |
| General government | $ 319 | $ 232 |
| Public Safety | 409 | 224 |
| Community services | 2,646 | 2,487 |
| Operating grants | 72 | 133 |
| Capital grants | 987 | 1,862 |
| General revenues: | | |
| Property taxes | 1,974 | 947 |
| Franchise taxes | 95 | 83 |
| Sales taxes | 717 | 449 |
| Other | 12 | 419 |
| **Total Revenues** | 7,231 | 6,836 |
| **Expenses:** | | |
| General government | 566 | 496 |
| Public safety | 1,159 | 859 |
| Public works | 323 | 615 |
| Municipal court | 348 | 204 |
| Community services | 2,979 | 2,448 |
| Interest | 18 | - |
| **Total Expenses** | 5,393 | 4,622 |
| Change in net position | 1,838 | 2,214 |
| Beginning Net Position | 13,228 | 11,014 |
| **Ending Net Position** | $ 15,066 | $ 13,228 |

The government's net position increased by approximately $1.8 million during the current fiscal year. This increase was mostly due to contributed capital from developers in the amount of almost  million for roads in the Meridiana development and increased property tax revenue of  million.

***Expenses, Program Revenues, and Net Cost of Services – Governmental Activities (in thousands)***
***For the Fiscal Years Ended September 30, 2021 and 2020***

| | Expenses | | Program Revenues | | Net (Cost) of Services | |
|---|---|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** |
| Program: | | | | | | |
| General government | $ 566 | $ 496 | $ 327 | $ 262 | $ (239) | $ (234) |
| Public safety | 1,159 | 859 | 409 | 224 | (750) | (635) |
| Public works | 323 | 615 | - | - | (323) | (615) |
| Municipal court | 348 | 204 | - | - | (348) | (204) |
| Community services | 2,979 | 2,448 | 3,697 | 4,452 | 718 | 2,004 |
| Interest | 18 | - | - | - | (18) | - |
| | $ 5,393 | $ 4,622 | $ 4,433 | $ 4,938 | $ (960) | $ 316 |

As indicated above, governmental program expenses were supported by program revenues including permits and developer contributions. The balance of the program expenses was supported by general revenues.

**Financial Analysis of the Government's Funds**

As noted earlier, the City used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's General Fund reported an ending fund balance of $4,122,040. Total fund balance experienced an increase of $918,140 from the prior year.

The State and Federal Grants fund reported unearned revenues of , all of which is unearned until the City identifies eligible expenditures to allocate to the received grant funding.

**Capital Assets and Debt Administration**

**Capital Assets.** The City's investment in capital assets for its governmental activities as of September 30, 2021 amounted to $11,689,485 (net of accumulated depreciation). This investment in capital assets includes land, buildings, park facilities and machinery and equipment. Additions in the current year consisted of lands, roads, and police equipment.

Additional information on the City's capital assets can be found in Note 8 to the basic financial statements of this report.

**Debt Administration.** At the end of the current fiscal year, the City had total certificates of obligation debt outstanding of $1,175,000.

### General Fund Budgetary Highlights

During the 2021 fiscal year, the City's final amended budget planned for $4,762,666 in revenues and $4,727,186 in expenditures. Actual revenues exceeded estimated revenues by $1,143,964 and total expenditures exceeded appropriations by $257,779 resulting in an ending fund balance of $4,122,040 which was $882,660 higher than expected. The increases in revenues came primarily from a higher than expected building construction permit revenues and administrative fees for early plat recording. Expenditure overages were primarily related to community services projects, which occurred as a direct result of the increase in permit revenues, as well as higher than expected capital outlay costs.

### Economic Factors and Next Year's Budgets and Rates

The city has adopted a General Fund operating budget for the 2022 fiscal year as follows:

| | Fiscal Year 2022 |
|---|---|
| General Fund: | |
| Revenues | $ 7,583,250 |
| Expenditures | 7,559,733 |
| Revenues Over/(Under) Expenditures | $ 15,142,983 |

The 2022 Budget includes property tax rates of $0.470752 for maintenance and operations (M&O) and $0.018457 for the interest and sinking fund (I&S) per $100 of value on real and personal property within the City limits, for a total tax rate of $0.489209. This was a 4% increase from the 2021 fiscal year tax rate of $0.469209 per $100 of value on real and personal property within the City limits.

CITY OF
IOWA
COLONY

# BASIC FINANCIAL STATEMENTS

# CITY OF IOWA COLONY, TEXAS

***STATEMENT OF NET POSITION***

***September 30, 2021***

| | Primary Government Governmental Activities | Discretely Presented Component Unit |
|---|---|---|
| **Assets** | | |
| Cash and temporary investments | $ 5,153,353 | $ 2,381,158 |
| Receivables, net of allowance for uncollectibles | 238,155 | - |
| Due from primary government | - | 10,148 |
| Restricted Assets: | | |
| Cash and temporary investments | 3,390,326 | - |
| Capital assets: | | |
| Land | 3,706,030 | - |
| Buildings and equipment, net of depreciation | 7,983,455 | - |
| Net pension asset | 4,971 | - |
| **Total Assets** | 20,476,290 | 2,391,306 |
| | | |
| **Deferred Outflows of Resources** | | |
| Deferred outflows - pension | 82,160 | - |
| **Total Deferred Outflows of Resources** | 82,160 | - |
| | | |
| **Liabilities** | | |
| Accounts payable and accrued expenses | 179,002 | 4,023 |
| Due to component unit | 10,148 | - |
| Unearned revenue | 1,629,609 | |
| Developer deposits | 2,409,339 | - |
| Accrued interest payable | 11,920 | 305,061 |
| Noncurrent liabilities: | | |
| Due within one year | 75,000 | 310,000 |
| Bonds payable | 1,100,000 | 22,018,993 |
| **Total Liabilities** | 5,415,018 | 22,638,077 |
| | | |
| **Deferred Inflows of Resources** | | |
| Deferred inflows - pension | 76,945 | - |
| **Total Deferred Inflows of Resources** | 76,945 | - |
| | | |
| **Net Position** | | |
| Investment in capital assets | 10,514,485 | - |
| Restricted for: | | |
| Public safety training | 4,841 | - |
| Crime prevention | 299,132 | - |
| Park reserves | 35,000 | - |
| Unrestricted | 4,213,029 | (20,246,771) |
| **Total Net Position** | $ 15,066,487 | $ (20,246,771) |

## CITY OF IOWA COLONY, TEXAS

***STATEMENT OF ACTIVITIES***

***For the Year Ended September 30, 2021***

| | | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---|---|---|---|---|---|---|
| **Functions/Programs** | **Expenses** | **Charges for Services** | **Operating Grants and Contributions** | **Capital Grants and Contributions** | **Primary Government** | **Discretely Presented Component Unit** |
| **Primary Government:** | | | | | | |
| Governmental Activities: | | | | | | |
| General government | $ 566,093 | $ 318,966 | $ 7,926 | $ - | $ (239,201) | $ - |
| Public safety | 1,159,025 | 408,947 | - | - | (750,078) | - |
| Public works | 323,010 | - | - | - | (323,010) | - |
| Municipal court | 348,048 | - | - | - | (348,048) | - |
| Community development | 2,978,541 | 2,646,501 | 63,795 | 987,315 | 719,070 | - |
| Interest | 18,277 | - | - | - | (18,277) | - |
| Total Governmental Activities | 5,392,994 | 3,374,414 | 71,721 | 987,315 | (959,544) | - |
| **Total Primary Government** | $ 5,392,994 | $ 3,374,414 | $ 71,721 | $ 987,315 | (959,544) | - |
| **Component Unit** | | | | | | |
| Iowa Colony Development Authority | $ 6,796,091 | $ - | $ - | $ - | | (6,796,091) |
| | | | **General Revenues:** | | | |
| | | | Taxes: | | | |
| | | | Property taxes | | 1,974,318 | 1,341,946 |
| | | | Franchise taxes | | 94,775 | - |
| | | | Sales taxes | | 716,990 | - |
| | | | Unrestricted investment earnings | | 41 | - |
| | | | Miscellaneous | | 12,171 | 5,595 |
| | | | **Total General Revenues** | | 2,798,295 | 1,347,541 |
| | | | Change in net position | | 1,838,751 | (5,448,550) |
| | | | Net Position - beginning | | 13,227,736 | (14,798,221) |
| | | | **Net Position - ending** | | $ 15,066,487 | $ (20,246,771) |

# CITY OF IOWA COLONY, TEXAS

***BALANCE SHEET - GENERAL FUND***

***September 30, 2021***

| | General Fund | | State and Federal Grants | | Non-Major Governmental Funds | | Total Governmental Funds |
|---|---|---|---|---|---|---|---|
| **Assets** | | | | | | | |
| Current assets: | | | | | | | |
| Cash | $ | 3,953,784 | $ | 648,622 | $ | 32,228 | $ | 4,634,634 |
| Temporary investments | | 518,719 | | - | | - | | 518,719 |
| Property taxes receivable | | 39,553 | | - | | 760 | | 40,313 |
| Sales tax receivable | | 95,674 | | - | | 42,145 | | 137,819 |
| Fines and forfeitures receivable, net of allowance for uncollectible | | 60,023 | | - | | - | | 60,023 |
| Due from other funds | | - | | - | | 256,987 | | 256,987 |
| Restricted assets: | | | | | | | | |
| Cash and temporary investments | | 3,390,326 | | - | | - | | 3,390,326 |
| **Total Assets** | | 8,058,079 | | 648,622 | | 332,120 | $ | 9,038,821 |
| | | | | | | | | |
| **Liabilities** | | | | | | | | |
| Accounts payable | | 155,795 | | - | | - | | 155,795 |
| Due to other funds | | 256,987 | | - | | - | | 256,987 |
| Due to component unit | | 10,148 | | - | | - | | 10,148 |
| Other liabilities | | 23,207 | | - | | - | | 23,207 |
| Unearned revenue | | 980,987 | | 648,622 | | - | | 1,629,609 |
| Developer deposits | | 2,409,339 | | - | | - | | 2,409,339 |
| **Total Liabilities** | | 3,836,463 | | 648,622 | | - | | 4,485,085 |
| | | | | | | | | |
| **Deferred Inflows of Resources** | | | | | | | | |
| Unavailable property taxes receivable | | 39,553 | | - | | 760 | | 40,313 |
| Unavailable fine revenues | | 60,023 | | - | | - | | 60,023 |
| **Total Deferred Inflows of Resources** | | 99,576 | | - | | 760 | | 100,336 |
| | | | | | | | | |
| **Fund Balances** | | | | | | | | |
| Restricted: | | | | | | | | |
| Public safety training | | 4,841 | | - | | - | | 4,841 |
| Crime prevention | | - | | - | | 299,132 | | 299,132 |
| Debt Service | | - | | - | | 32,228 | | 32,228 |
| Assigned: | | | | | | | | |
| Park Reserves | | 35,000 | | - | | - | | 35,000 |
| Road Works | | 277,168 | | - | | - | | 277,168 |
| Unassigned | | 3,805,031 | | - | | - | | 3,805,031 |
| **Total Fund Balances** | | 4,122,040 | | - | | 331,360 | | 4,453,400 |
| | | | | | | | | |
| **Total Liabilities, Deferred Inflows of Resources, and Fund Balances** | $ | 8,058,079 | $ | 648,622 | $ | 332,120 | $ | 9,038,821 |

## CITY OF IOWA COLONY, TEXAS

***RECONCILIATION OF THE GENERAL FUND BALANCE SHEET***
***TO THE STATEMENT OF NET POSITION***
***September 30, 2021***

| | | |
|---|---|---|
| Total fund balance, governmental funds | $ | 4,453,400 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 11,689,485 |
| Uncollected adjudicated fines and outstanding property taxes that are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position. | | 100,336 |
| Long-term liabilities that are not due and payable in the current period, and therefore, are not reported in the funds. | | |
| Certificates of obligation | | (1,175,000) |
| Net pension asset/(liability) | | 4,971 |
| Accrued interest payable on long-term debt | | (11,920) |
| Differences between expected and actual experiences, assumption changes and net differences between projected and actual earnings and contributions subsequent to the measurement date for the postretirement benefits (pension and OPEB) are recognized as deferred outflows of resources and deferred inflows of resources on the statement of net position. | | |
| Deferred outflows - pension related | | 82,160 |
| Deferred inflows - pension related | | (76,945) |
| **Net Position of Governmental Activities** | $ | 15,066,487 |

## CITY OF IOWA COLONY, TEXAS
### *STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES*
### *GENERAL FUND*
### *For the Year Ended September 30, 2021*

| | General Fund | State and Federal Grants | Non-Major Governmental Funds | Total Governmental Funds |
|---|---|---|---|---|
| **Revenues** | | | | |
| Property taxes | $ 1,847,721 | $ - | $ 126,980 | $ 1,974,701 |
| Sales and use taxes | 506,351 | - | 211,259 | 717,610 |
| Franchise taxes | 94,155 | - | - | 94,155 |
| Licenses and permits | 2,710,296 | - | - | 2,710,296 |
| Charges for services - administrative fees | 318,966 | - | - | 318,966 |
| Fines and forfeitures | 409,003 | - | - | 409,003 |
| Earnings on investments | 41 | - | - | 41 |
| Intergovernmental | 7,926 | - | - | 7,926 |
| Other | 12,171 | - | - | 12,171 |
| **Total Revenues** | 5,906,630 | - | 338,239 | 6,244,869 |
| | | | | |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 613,053 | - | - | 613,053 |
| Public safety | 1,022,180 | - | 73,152 | 1,095,332 |
| Public works | 319,389 | - | - | 319,389 |
| Municipal courts | 351,596 | - | - | 351,596 |
| Community development | 2,489,820 | - | - | 2,489,820 |
| **Debt service:** | | | | |
| Principal | - | - | 80,000 | 80,000 |
| Interest and fees | - | - | 18,277 | 18,277 |
| Capital outlay | 188,927 | - | - | 188,927 |
| **Total Expenditures** | 4,984,965 | - | 171,429 | 5,156,394 |
| | | | | |
| **Revenues Over (Under) Expenditures** | 921,665 | - | 166,810 | 1,088,475 |
| | | | | |
| **Other Financing Sources (Uses)** | | | | |
| Operating transfers in | - | - | 3,525 | 3,525 |
| Operating transfers out | (3,525) | - | - | (3,525) |
| **Total Other Financing Sources (Uses)** | (3,525) | - | 3,525 | - |
| | | | | |
| **Changes in Fund Balance** | 918,140 | - | 170,335 | 1,088,475 |
| Fund Balances - Beginning of Year | 3,203,900 | - | 161,025 | 3,364,925 |
| **Fund Balances - End of Year** | $ 4,122,040 | $ - | $ 331,360 | $ 4,453,400 |

**CITY OF IOWA COLONY, TEXAS**

***RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GENERAL FUND TO THE STATEMENT OF ACTIVITIES***

***For the Year Ended September 30, 2021***

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds: | | 1,088,475 |
| The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase/(decrease) net position. | | |
| Donation of capital assets | | 987,315 |
| Governmental funds report outlays for capital assets as expenditures. However, in the statement of activities, the cost of those assets is allocated over the assets' estimated useful lives and reported as depreciation expense. | | |
| Capital outlay | | 191,580 |
| Depreciation | | (553,093) |
| Property tax revenues in the statement of activities that do not provide current financial resources are deferred as revenues in the fund statements. | | (383) |
| Fines and forfeiture revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds. | | (56) |
| Pension expense does not represent a use of current resources and is not recognized in the fund financial statements. The net difference between pension contributions made and pension expense is an increase in the net position of the City. | | 56,833 |
| Some expenses reported in the statement of activities do not require the use of current resources and these are not reported as expenditures in governmental funds: | | |
| Change in interest payable not recognized in fund statements | | (11,920) |
| Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. | | 80,000 |
| Change in net financial net position of governmental activities | $ | 1,838,751 |

CITY OF
IOWA
COLONY

**Note 1 - Organization**

The City of Iowa Colony, Texas (the “City”) is a political subdivision incorporated in 1972 through the State of Texas operating as a type B, general law city. In 2005, a resolution was passed to change to a type A, general law city. The City is governed by an elected Mayor and five-member Council.

The City provides the following services: general government, public safety, public works and community development.

**Note 2 - Summary of Significant Accounting Policies**

The financial statements of the City have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to government units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**A. Reporting Entity**

The City Council is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a primary government as defined by GAAP.

In March 2010, City Council formed the City of Iowa Colony Development Authority (ICDA) and the City of Iowa Colony Tax Increment Reinvestment Zone No. 2 (TIRZ 2) to facilitate development in connection with a residential neighborhood. The objective of the Zone is to facilitate quality mixed-use development with a self-sustaining tax base for the City of Iowa Colony, Brazoria County, and any other participating taxing entity. As of September 30, all financial activity of ICDA and TIRZ 2 has been funded privately by the developer and is reflected as a discretely presented component unit under the ICDA caption. Separate financial statements are available for the ICDA through the City Secretary’s office.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Changes in Net Position) report information about the City as a whole. These statements include all activities of the primary government. All activities of the City are classified as governmental activities, as they are supported primarily by taxes and non-exchange revenues.

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

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Franchise tax and sales tax revenues are recognized, for external reporting purposes, when the underlying sales or transaction occurs. Sales tax revenues are collected by individual commercial enterprises and filed with the State of Texas. The State of Texas remits the City’s and Crime Control District’s portion of the sales tax on a monthly basis, two months after the sales are reported. Interest is recorded when earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collectible within the current period or soon enough to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. As a practical matter, there is no material difference in the recognition of revenues between the government-wide and governmental fund financial statements. Expenditures for governmental funds are recorded when the related liability is incurred.

The City reports the following major governmental funds:

The *General Fund* is used to account for all financial transactions that are not accounted for in another fund. The principal sources of revenue of the General Fund include local property taxes, sales and use taxes, franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general administration, public safety, public works, and economic development.

The *State and Federal Grant Fund* is used to account for state and federal grant awards received by the city and any related expenditures specific to the grants.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services or privileges provided (primarily inspection and platting fees, (2) operating grants and contributions (primarily retainer or development fees from developers), and (3) capital grants and contributions. Internally dedicated resources are reported as general revenues rather than program revenues. Likewise, general revenues include all taxes.

Net Position of the City and its component units are reported under the following captions:

- Investment in capital assets - This component of Net Position consists of capital assets, including restricted capital assets, net of accumulated depreciation.
- Restricted - This component of Net Position consists of constraints placed on net position use through external constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments or constraints imposed by law through contractual provisions or enabling legislation.
- Unrestricted Net Position - This component of Net Position consists of Net Position that do not meet the definition of “restricted” or “investment in capital assets”.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless City Council has provided otherwise in its commitment or assignment actions.

**D. Investments**

The City’s local government investment pools are recorded at amortized costs as permitted by GASB Statement No. 79, *Certain Investment Pools and Pool Participants.* The City categorizes fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value: Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs: Level 3 inputs are significant unobservable inputs.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**E. Property Taxes**

Property taxes are levied by October 1 in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt and all taxes not paid prior to February 1 are deemed delinquent and are subject to such penalty and interest set forth by the Property Tax Code. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Appraised values are established by the Brazoria County Central Appraisal District (the “CAD”). Taxes are levied by the City Council based on the appraised values received from the CAD. Beginning in tax year 2016, the City began making payments into the City Tax Increment Fund in the Reinvestment Zone Number Two. The City agreed to transfer all Tax Increment received to the Iowa Colony Development Authority. The Zone and the Authority agreed to pay the City an amount equal to thirty percent of each Tax Increment payment.

**F. Receivables**

All receivables are reported at their gross value, with the exception of fines and forfeitures receivables. A provision has been made for an allowance for uncollectible for fines and forfeitures.

**G. Capital Assets**

Capital assets are reported in the applicable governmental activities’ column in the government-wide financial statements. The government defines capital assets as assets with an initial, individual cost of $5,000. All purchased fixed assets are valued at cost where historical records exist. Donated fixed assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements, including public domain, and equipment are capitalized and depreciated over the remaining useful lives of the related fixed assets using the straight-line method, as applicable. Buildings, improvements and roads have an estimated useful life of 10 – 40 years. Machinery and equipment have an estimated useful life of 5 – 7 years.

**H. Compensated Absences**

It is the City’s policy to permit employees to accumulate earned personal and sick leave. Employees can earn up to a maximum number of hours of personal leave equal to two times the employee’s current accrual rate at termination and sick leave hours can accrue up to 480 hours. No amounts have been reported for accrued but unpaid compensated absences as they are not material to the financial statements.

**I. Fund Balance**

As of September 30, 2021, fund balances of the governmental funds are classified as follows:

*Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

*Assigned* - amounts that are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. The Council has by resolution authorized the finance director to assign fund balance. The 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.

*Unassigned* - all other spendable amounts.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. The City has not adopted a minimum fund balance policy for the General Fund.

**Note 2 - Summary of Significant Accounting Policies (continued)**

**J. Deferred Outflows / Inflows of Resources**

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net assets that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditure) until then. The City has one item that qualifies for reporting in this category, which is the deferred amounts related to pension. This amount represents the differences between estimated and actual investment earnings, changes in actuarial assumptions, and other pension changes.

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net assets that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category. Unavailable revenue is reported only in the governmental funds balance sheet from two sources: property taxes and fines. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. In the government-wide financial statements the District reports deferred amounts related to pension.

**K. Pensions**

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

**L. Other Post-Employment Benefits (OPEB)**

The City participates in a defined benefit group-term life insurance plan, both for current and retired employees, administered by the Texas Municipal Retirement System (TMRS). Information regarding the City's total OPEB liability is obtained from TMRS through a report prepared for the City by TMRS' consulting actuary, Gabriel Roeder Smith & Company, in compliance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The City does not consider it necessary to record the related net OPEB liability as it is not material to the government-wide financial statements.

**M. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements. Actual amounts could vary from those estimates.

**Note 3 - Cash and Temporary Investments (Cash Equivalents)**

**Authorization for Deposits and Investments**

The Texas Public Funds Investment Act (PFIA), as prescribed in Chapter 2256 of the Texas Government Code, regulates deposits and investment transactions of the City. The Council has adopted a written investment policy regarding the investment of City funds as required by the PFIA. Acceptable investments under this policy are limited to (1) fully insured or collateralized certificates of deposit from a bank in the State of Texas and under the terms of a written depository agreement with that bank; (2) obligations of the United States Government, its agencies and instrumentalities and government sponsoring enterprises; and (3) Texas Local Government Investment Pools as by the PFIA and have been authorized by the City Council. The investments of the City are in compliance with the City's investment policy as to form.

**Note 3 - Cash and Temporary Investments (Cash Equivalents) (continued)**

**Local Government Investment Pool**

As of September 30, 2021, the City's investments included balances in the TexSTAR Public Funds Investment Pool. The investment pool investments are not evidenced by securities that exist in physical or book entry form and, accordingly, do not have custodial risk. Texas Short Term Asset Reserve Program ("TexSTAR") has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These two acts provide for the creation of public funds investment pools (including TexSTAR) and authorize eligible governmental entities ("Participants") to invest their public funds and funds under their control through the investment pools. J.P. Morgan Investment Management, Inc. ("JPMIM" or the "investment manager") and First Southwest Asset Management, Inc. ("FSAM") serve as co-administrators for TexSTAR under an agreement with the TexSTAR board of directors (the "Board"). The value of City portions in TexSTAR are the same as the value of the shares. Unlike money market mutual funds which are registered with the Securities and Exchange Commission, TexSTAR does not operate in a manner consistent with Rule 2a-7 of the Investment Company Act of 1940. The external pooled fund uses amortized cost rather than market value to report Net Position to compute share price, because such funds have daily liquidity.

**Deposit and Investment Amounts**

The following schedule shows the City's recorded cash and investments at year-end:

| | Primary Government | Weighted Average Maturity (days) |
|---|---|---|
| Cash and demand deposits | $ 8,024,960 | N/A |
| Certificate of deposit | 410,415 | 140 |
| Public funds investment pools | | |
| TexSTAR | 108,304 | 39 |
| Totals | $ 8,543,679 | 119 |

At September 30, 2021, all of the cash and temporary investments of Iowa Colony Development Authority consisted of balances in demand deposit accounts.

All bank balances for demand and certificates of deposits for the primary government and the discretely presented component unit at year end was covered by FDIC insurance of $250,000 and the remaining balance was covered by pledged collateral.

The values of certificates of deposit are determined using level 2 inputs as described in Note 2 D of the financial statements.

Cash and temporary investments of $3,390,326 were restricted for amounts related to retainer fees, road damage deposits, and developer deposits.

**Interest Rate Risk and Concentration of Credit Risk**

In accordance with the City's investment policy, the maturity of investments (to include certificates of deposit) shall not exceed one year, or with the approval of City Council, two years. For pooled fund groups, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio shall not exceed two years. The City's investment policy does not restrict or specify levels of concentration or diversification within the City's portfolio. It does provide that *"The City shall diversify its investments in order to minimize the risk of loss resulting from a concentration of assets in a specific maturity, a specific issuer, or a specific type of investment."*

**Note 4 - Receivables**

Amounts recorded as receivables as of September 30, 2021, are as follows:

| | General Fund | Non-Major Governmental Funds | Total |
|---|---|---|---|
| Receivables: | | | |
| Property taxes | $ 29,118 | $ 760 | $ 29,878 |
| Sales taxes | 95,674 | 42,145 | 137,819 |
| Adjudicated Fines | 1,200,465 | - | 1,200,465 |
| Gross receivables | 1,325,257 | 42,905 | 1,368,162 |
| Less: allowance for uncollectibles | (1,130,007) | - | (1,130,007) |
| Net total receivables | $ 195,250 | $ 42,905 | $ 238,155 |

**Note 5 - Developer Deposits**

The City has entered into various agreements with Land Tejas Sterling Lakes (the "Developer"). The Developer is developing certain facilities within the city limits or extraterritorial jurisdiction of the City. The Developer deposits refundable funds with the City at the beginning of the agreement term with a non-refundable administrative fee. The refundable deposits will be returned to the Developer upon completion of each project. The agreements do not represent an escrow agreement and the City shall not owe any fiduciary duty to the Developer. The following is a summary of activity for developer deposits for the year ended September 30, 2021.

| Project | Balance 9/30/2020 | Additions | Deductions | Balance 9/30/2021 |
|---|---|---|---|---|
| County Road 64 | $ 1,731,000 | $ - | $ - | $ 1,731,000 |
| Early Plat SV Sec 6 & Tyn | 60,402 | - | (60,402) | - |
| Early Plat - Sierra V W Sec 5 | - | 492,630 | - | 492,630 |
| Early Plat SVW Sub Sec 4 | - | 185,709 | - | 185,709 |
| | $ 1,791,402 | $ 678,339 | $ (60,402) | $ 2,409,339 |

**Note 6 - Unearned Revenue**

As of September 30, 2021, the City had $1,629,609 in unearned revenue. The Road Damage Deposits and Baseball Field Reserves are for potential repairs that may be required to be completed at a later date. The retainer fees are amounts advanced to the City by developers for community development project costs that will occur at a later date. The Texas Water Development Board (TWBD) represents the TWBD's share of the total Iowa Colony Master Drainage Plan project, of which is considered unearned until qualifying expenditures are incurred, and contingencies are met. The Coronavirus Relief funds are reported as unearned revenue until qualifying expenditures are incurred. The following is a summary of unearned revenues for the year ended September 30, 2021.

| | General Fund | State and Federal Grants | Total |
|---|---|---|---|
| Unearned Revenues: | | | |
| Retainer Fees | $ 528,807 | $ - | $ 528,807 |
| Road Damage Deposits | 450,467 | - | 450,467 |
| Baseball Field Reserves | 1,713 | - | 1,713 |
| Texas Water Development Board | - | 150,000 | 150,000 |
| Coronavirus Relief | - | 498,622 | 498,622 |
| Total Unearned Revenues | $ 980,987 | $ 648,622 | $ 1,629,609 |

**Note 7 - Interfund Receivables and Payables and Transfers**

As of September 30, 2021, interfund balances consisted of the following:

| | Interfund Receivable | Interfund Payable | Net Totals |
|---|---|---|---|
| General Fund | $ - | $ (256,987) | $ (256,987) |
| Non-Major Governmental Funds | 256,987 | - | 256,987 |
| Totals | $ 256,987 | $ (256,987) | $ - |

The amount of the interfund balance represents the amount of sales tax proceeds collected in the General Fund that will be used for future crime control prevention is .

| | Transfer In | Transfer Out | Net Totals |
|---|---|---|---|
| General Fund | $ - | $ (3,525) | $ (3,525) |
| Debt Service Fund | 3,525 | - | 3,525 |
| Totals | $ 3,525 | $ (3,525) | $ - |

The transfer from the general fund to the debt service fund of $3,525 represents the surplus cost of issuance related to the Certificates of Obligation, Series 2020.

**Note 8 - Capital Assets**

A summary of activity for capital assets for the year ended September 30, 2021, follows:

| | Balance 9/30/2020 | Additions | Transfers / Deletions | Balance 9/30/2021 |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Capital assets not being depreciated: | | | | |
| Land and right of way | $ 3,626,990 | $ 79,040 | $ - | $ 3,706,030 |
| Total capital assets not being depreciated | 3,626,990 | 79,040 | - | 3,706,030 |
| Capital assets being depreciated: | | | | |
| Buildings, improvements and roads | 8,392,991 | 987,315 | - | 9,380,306 |
| Machinery and equipment | 524,996 | 112,540 | - | 637,536 |
| Total capital assets being depreciated | 8,917,987 | 1,099,855 | - | 10,017,842 |
| Less accumulated depreciation for: | | | | |
| Buildings, improvements and roads | (1,242,541) | (450,922) | - | (1,693,463) |
| Machinery and equipment | (238,753) | (102,171) | - | (340,924) |
| Total accumulated depreciation | (1,481,294) | (553,093) | - | (2,034,387) |
| Total capital assets being depreciated, net | 7,436,693 | 546,762 | - | 7,983,455 |
| Governmental activities capital assets, net | $ 11,063,683 | $ 625,802 | $ - | $ 11,689,485 |

Depreciation was charged to functions of the primary government as follows:

| **Governmental activities:** | Depreciation Expense |
|---|---|
| General | $ 23,812 |
| Public safety | 96,664 |
| Public works | 7,148 |
| Community development | 425,469 |
| | $ 553,093 |

**Note 9 - Long-term Debt**

**Private Placement Certificates of Obligation**

During the current fiscal year, the City issued private placement certificates of obligation in the amount of $1,255,000. The principal is payable annually on April 1 and the interest is payable semiannually on October 1 and April 1 at an interest rate of 2.040%. The proceeds were used for the purchase of land next to the City Hall. Additional information for the year ended September 30, 2021 is as follows:

| | Original Borrowing | Interest Rate | Final Maturity | Outstanding at Year-end |
|---|---|---|---|---|
| **Governmental activities:** | | | | |
| Certificates of Obligation, Series 2020 | $ 1,255,000 | 2.040% | 2035 | $ 1,175,000 |

Debt service requirements to maturity are as follows:

| Fiscal Year | Principal | Interest | Total |
|---|---|---|---|
| 2022 | $ 75,000 | $ 23,970 | $ 98,970 |
| 2023 | 75,000 | 22,440 | 97,440 |
| 2024 | 75,000 | 20,910 | 95,910 |
| 2025 | 80,000 | 19,380 | 99,380 |
| 2026 | 80,000 | 17,748 | 97,748 |
| 2027-2031 | 420,000 | 63,954 | 483,954 |
| 2032-2036 | 370,000 | 19,074 | 389,074 |
| | $ 1,175,000 | $ 187,476 | $ 1,362,476 |

**Changes in Long-term Debt**

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended September 30, 2021:

| | Balance 9/30/2020 | Additions | Deletions | Balance 9/30/2021 | Due Within One Year |
|---|---|---|---|---|---|
| **Governmental activities:** | | | | | |
| Certificates of Obligation | $ 1,255,000 | $ - | $ (80,000) | $ 1,175,000 | $ 75,000 |
| Total | $ 1,255,000 | $ - | $ (80,000) | $ 1,175,000 | $ 75,000 |

**Note 10 - Risk Management**

**General Liability**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City's risk management program encompasses various means of protecting the City against loss by obtaining property, casualty, and liability coverage through commercial insurance carriers and from participation in a risk pool. The participation of the City in the risk pool is limited to the payment of premiums. There has not been any significant reduction in insurance coverage from the previous year.

**Note 10 - Risk Management (continued)**

**Worker's Compensation**

The City is a member of the Texas Municipal League (TML) Workers' Compensation Intergovernmental Risk Pool, an unincorporated association of political subdivision of the State of Texas. The company is not intended to operate as an insurance company but rather a contracting mechanism by which the City provides self-insurance benefits to its employees. The fund contracts with a third-party administrator for administration, investigation, and adjustment services in the handling of claims. Premiums are based on the estimated City payroll by risk factor and rates. The premiums are adjusted by the City's experience modifier. All loss contingencies, including claims incurred but not reported, if any, are recorded and accounted for by the TML Pool.

**Note 11 - Employee Retirement System**

***Texas Municipal Retirement System***

Effective October 20, 2014, City council approved the participation in the Texas Municipal Retirement System to provide pension benefits for full time employees. Subsequently, the City began making necessary contributions in accordance with the provisions of the plan.

**Plan Description**

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

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

**Benefits Provided**

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

At retirement, the benefit is calculated 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 actuarially equivalent payments options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits for service since the plan began are 200% of the employee's accumulated contributions.

**Note 11 - Employee Retirement System (continued)**

**Benefits Provided (continued)**

A summary of plan provisions for the City are as follows:

| | |
|---|---|
| Employee deposit rate | 5% |
| Matching ratio (City to employee) | 2 to 1 |
| Years required for vesting | 5 |
| Service retirement eligibility | 20 years at any age, 5 years at age 60 and above |
| Updated Service Credit | None |
| Annuity Increase to retirees | Ad Hoc |

The City participates in Social Security.

**Employees Covered by Benefit Terms**

At the December 31, 2020, valuation and measurement date, 17 active City employees were covered by the benefit terms and 9 inactive employees was entitled to but not yet receiving benefits. There were 2 inactive employees or beneficiaries currently receiving benefits as of that date.

**Contributions**

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the city. Under the state law governing TMRS, the contribution rate for each city is determined annually by the consulting actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. For fiscal year 2021, the City made contributions of 11.26% of the employees' annual gross income.

**Net Pension Liability/(Asset)**

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

**Actuarial Assumptions**

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

| | |
|---|---|
| Inflation | 2.5% per year |
| Overall payroll growth | 3.5% to 11.5% including inflation |
| 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, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables, with rates multiplied by an additional factor of 93.0%. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the mortality tables for healthy retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

**Note 11 - Employee Retirement System (continued)**

**Actuarial Assumptions (continued)**

Actuarial assumptions used in the December 31, 2020, valuation were based on the results of actuarial experience studies. This experience study was for the period January 1, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. Assumptions are reviewed annually. 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 is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| Asset Class | Target Allocation |
|---|---|
| Core Fixed Income | 10.0% |
| Non-core Fixed Income | 20.0% |
| Global public equity | 30.0% |
| Real Estate | 10.0% |
| Real return | 10.0% |
| Absolute Return | 10.0% |
| Private Equity | 10.0% |
| Total | 100.0% |

**Discount Rate**

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will remain at the current 7% and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

**Sensitivity of the Net Pension Liability/(Asset) to changes in the discount rate**

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

| | 1% Decrease | Current Discount Rate (6.75%) | 1% Increase |
|---|---|---|---|
| City's net pension liability | $ 52,380 | $ (4,972) | $ (53,111) |

**Note 11 - Employee Retirement System (continued)**

**Changes in the Net Pension Liability/(Asset)**

| | | Increase (Decrease) | |
|---|---|---|---|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| | (a) | (b) | (a) - (b) |
| Balance at 12/31/2019 | $ 576,007 | $ 517,962 | $ 58,045 |
| Changes for the year: | | | |
| Service Cost | 104,170 | - | 104,170 |
| Interest | 40,500 | - | 40,500 |
| Change in benefit terms | 7,461 | - | 7,461 |
| Difference between expected and actual experience | (31,039) | - | (31,039) |
| Contributions - employer | - | 106,960 | (106,960) |
| Contributions - employee | - | 37,798 | (37,798) |
| Net Investment income | - | 39,615 | (39,615) |
| Benefit payments, including refunds, of employee contributions | (71,119) | (71,119) | - |
| Administrative expense | - | (254) | 254 |
| Other changes | - | (10) | 10 |
| Net changes | 49,973 | 112,990 | (63,017) |
| Balance at 12/31/2019 | $ 625,980 | $ 630,952 | $ (4,972) |

**Pension Plan Fiduciary Net Position**

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

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

For the year ended September 30, 2021, the City recognized pension expense of $57,412.

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Differences in expected and actual experience | $ - | $ 44,330 |
| Change in assumptions | 1,291 | 17,521 |
| Difference in projected and actual earnings on pension plan investments | - | 15,094 |
| Contributions subsequent to measurement date | 80,869 | - |
| Total | $ 82,160 | $ 76,945 |

**Note 11 - Employee Retirement System (continued)**

**Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)**

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $80,869 will be recognized as a reduction of the Net Pension Liability/(Asset) for the measurement year ending December 31, 2021 (i.e., recognized in the city's financial statements 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 | | Net Deferred Outflows (Inflows) of Resources |
|---|---|---|
| 2022 | $ | (21,443) |
| 2023 | | (18,023) |
| 2024 | | (20,923) |
| 2025 | | (8,251) |
| 2026 | | (4,805) |
| Thereafter | | (2,209) |
| Total | $ | (75,654) |

**Note 12 - Post-employment Benefits Other Than Pensions (OPEB)**

***TMRS Supplemental Death Benefits Fund***

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

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500; this coverage is an "other postemployment benefit," or OPEB.

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

The City's contributions to the TMRS SDBF for the fiscal year 2021 was $2,169 which equaled the required contribution amount.

Based on calculations of the plan's actuary under the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the city has a total OPEB liability of $14,066. Management has determined the effects of implementing this pronouncement on the City's government wide net position are not material to the financial statements and no provision for this liability or activity, other than cash paid as part the TMRS contribution of $2,169 have been recorded in the City's financial statements.

CITY OF
IOWA
COLONY

## REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF IOWA COLONY, TEXAS

***REQUIRED SUPPLEMENTARY INFORMATION - GENERAL FUND***
***SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN***
***FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)***
***For the Year Ended September 30, 2021***

| | 2021 | | | |
|---|---|---|---|---|
| | Budgeted Amounts | | | |
| | Original | Final | Actual | Variance with Final Budget |
| **Revenues** | | | | |
| Property taxes | $ 1,199,166 | $ 1,199,166 | $ 1,847,721 | $ 648,555 |
| Sales and use taxes | 352,000 | 352,000 | 506,351 | 154,351 |
| Franchise taxes | 140,000 | 140,000 | 94,155 | (45,845) |
| Licenses and permits | 2,319,000 | 2,319,000 | 2,710,296 | 391,296 |
| Administrative fees | 2,000 | 2,000 | 318,966 | 316,966 |
| Fines and forfeitures | 209,500 | 209,500 | 409,003 | 199,503 |
| Earnings on investments | 1,000 | 1,000 | 41 | (959) |
| Intergovernmental | - | - | 7,926 | 7,926 |
| Other | 540,000 | 540,000 | 12,171 | (527,829) |
| **Total Revenues** | 4,762,666 | 4,762,666 | 5,906,630 | 1,143,964 |
| **Expenditures** | | | | |
| Current: | | | | |
| General government | 650,189 | 650,189 | 613,053 | 37,136 |
| Public safety | 1,109,205 | 1,109,205 | 1,022,180 | 87,025 |
| Public works | 680,723 | 680,723 | 319,389 | 361,334 |
| Municipal courts | 234,434 | 234,434 | 351,596 | (117,162) |
| Community development | 1,087,635 | 1,087,635 | 2,489,820 | (1,402,185) |
| Debt service: | | | | |
| Capital outlay | 965,000 | 965,000 | 188,927 | 776,073 |
| **Total Expenditures** | 4,727,186 | 4,727,186 | 4,984,965 | (257,779) |
| **Revenues Over (Under) Expenditures** | 35,480 | 35,480 | 921,665 | 886,185 |
| **Other Financing Sources (Uses)** | | | | |
| Operating transfers out | - | - | (3,525) | (3,525) |
| **Total Other Financing Sources (Uses)** | - | - | (3,525) | (3,525) |
| **Changes in Fund Balance** | 35,480 | 35,480 | 918,140 | 882,660 |
| **Fund Balances - Beginning of Year** | 3,203,900 | 3,203,900 | 3,203,900 | - |
| **Fund Balances - End of Year** | $ 3,239,380 | $ 3,239,380 | $ 4,122,040 | $ 882,660 |

**Legal Compliance - Budgets**

Typically, prior to September 1, the departments and agencies of the City transmit their estimates of their budgetary requirements to the Mayor. The Council may revise, alter, increase or decrease the items of the budget, provided that when it shall increase the total proposed expenditures, it shall also increase the total anticipated income. The Council approves the budget plan prior to September 30. One or more public hearings are conducted to obtain taxpayer comments. City Council members may transfer unencumbered appropriated balances, or portion thereof, from one department to another. During the year, Council made no amendments to the original budget.

The City’s expenditures exceeded appropriations by $257,779 for the year ended September 30, 2021. The overages were caused by the City experiencing significant growth as the total revenue exceeded anticipated amounts by $1,143,964.

# CITY OF IOWA COLONY, TEXAS

***REQUIRED SUPPLEMENTARY PENSION INFORMATION***

***TEXAS MUNICIPAL RETIREMENT SYSTEM***

***SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET) AND RELATED RATIOS***

***Last Seven Measurement Years Ended December 31***

| | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|---|
| **Total Pension Liability:** | | | | | | | |
| Service cost | $ 104,170 | $ 51,130 | $ 35,822 | $ 27,020 | $ 25,040 | $ 18,263 | $ 2,931 |
| Interest | 40,500 | 38,226 | 35,677 | 32,084 | 28,720 | 26,581 | 24,149 |
| Changes of benefit terms | 7,461 | - | - | - | - | - | - |
| Difference between expected and actual experience | (31,039) | (3,796) | (21,411) | (8,477) | (3,118) | (18,632) | 343,523 |
| Change in assumptions | - | (30,309) | - | - | - | 16,153 | - |
| Benefit payments, including refunds of employee contributions | (71,119) | (39,967) | - | (3,602) | - | - | - |
| Net change in total pension liability | 49,973 | 15,284 | 50,088 | 47,025 | 50,642 | 42,365 | 370,603 |
| Total pension liability - beginning | 576,007 | 560,723 | 510,635 | 463,610 | 412,968 | 370,603 | - |
| Total pension liability - ending (a) | 625,980 | 576,007 | 560,723 | 510,635 | 463,610 | 412,968 | 370,603 |
| | | | | | | | |
| **Plan fiduciary net position:** | | | | | | | |
| Contributions - employer | 106,960 | 94,661 | 80,321 | 75,643 | 81,768 | 61,097 | 9,799 |
| Contributions - employee | 37,798 | 24,511 | 17,857 | 13,403 | 12,004 | 8,730 | 1,401 |
| Net investment income | 39,615 | 59,208 | (8,765) | 25,102 | 5,506 | 17 | - |
| Benefit payments, including refunds of employee contributions | (71,119) | (39,967) | - | (3,602) | - | - | - |
| Administrative expense | (254) | (332) | (168) | (129) | (65) | (11) | - |
| Other | (10) | (9) | (10) | (8) | - | - | - |
| Net change in plan fiduciary net position | 112,990 | 138,072 | 89,235 | 110,409 | 99,213 | 69,833 | 11,200 |
| Plan fiduciary net position - beginning | 517,962 | 379,890 | 290,655 | 180,246 | 81,033 | 11,200 | - |
| Plan fiduciary net position - ending (b) | 630,952 | 517,962 | 379,890 | 290,655 | 180,246 | 81,033 | 11,200 |
| | | | | | | | |
| **Net Pension Liability - Ending (a) - (b)** | $ (4,972) | $ 58,045 | $ 180,833 | $ 219,980 | $ 283,364 | $ 331,935 | $ 359,403 |
| | | | | | | | |
| Plan fiduciary net position as a % of total pension liability | 100.79% | 89.92% | 67.75% | 56.92% | 38.88% | 19.62% | 3.02% |
| Covered payroll (measurement year) | $ 755,952 | $ 490,220 | $ 357,145 | $ 268,052 | $ 240,075 | $ 174,599 | $ 28,020 |
| Net pension liability as a percentage of covered payroll | -0.66% | 11.84% | 50.63% | 82.07% | 118.03% | 190.11% | 1282.67% |

Note: The City began participating in TMRS during the 2014 calendar year.

## CITY OF IOWA COLONY, TEXAS

***REQUIRED SUPPLEMENTARY PENSION INFORMATION***
***TEXAS MUNICIPAL RETIREMENT SYSTEM***
***SCHEDULE OF CONTRIBUTIONS***
***Last Seven Fiscal Years***

| | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 |
|---|---|---|---|---|---|---|---|
| Actuarially determined contribution | $ 114,253 | $ 101,598 | $ 92,000 | $ 81,648 | $ 75,874 | $ 76,809 | $ 52,491 |
| Contribution in relation of the actuarially determined contribution | 114,253 | 101,598 | 92,000 | 81,648 | 75,874 | 76,809 | 52,491 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| Covered payroll (fiscal year) | $ 1,015,011 | $ 665,101 | $ 448,754 | $ 335,852 | $ 253,819 | $ 224,351 | $ 149,040 |
| Contributions as a percentage of covered payroll | 11.26% | 15.28% | 20.50% | 24.31% | 29.89% | 34.24% | 35.22% |

Note: The City began participating in TMRS during the 2015 fiscal year.

**Notes to Required Supplementary Pension Information:**

Valuation Date: Actuarial determined contribution rates are calculated as of December 31 each year and become effective in January, 12 months and a day later.

Methods and Assumptions Used to Determine Contribution Rates:

| | |
|---|---|
| Actuarial Cost Method: | Entry Age Normal |
| Amortization Method: | Level Percentage of Payroll, Closed |
| Remaining Amortization Period: | 15 years |
| Asset Valuation Method: | 10 Year smoothed market; 15% soft corridor |
| Inflation: | 2.5% |
| Salary Increases: | 3.50% to 10.50% including inflation |
| Investment Rate of Return: | 6.75% |
| Retirement Age: | Age Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 – 2018. |
| Mortality: | Post-retirement - 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement - PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP. |
| Other Information: | There were no benefit changes during the year. |

## **APPENDIX C**

FORM OF OPINION OF BOND COUNSEL

MULLER

LAW GROUP

A Professional Limited Liability Company

202 Century Square Blvd. | Sugar Land, TX 77478 | 281.500.6050

[dated as of closing]

WE HAVE ACTED AS BOND COUNSEL for the City of Iowa Colony, Texas ("City"), which we also represent on other matters, in connection with an issue of certificates of obligation described as follows:

> City of Iowa Colony, Texas Combination Tax and Revenue Certificates of Obligation, Series 2022, dated June 1, 2022, in the principal amount of $__________ ("Certificates").
>
> The Certificates mature, bear interest, 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 the issuance of the Certificates ("Ordinance"). Portions of the Certificates are subject to optional [and mandatory] redemption prior to maturity as set out in the Certificates and in the Ordinance.

WE HAVE ACTED AS 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 exclusion 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 certificates executed by officers, agents, and representatives of the City. We have assumed no responsibility with respect to the financial condition of the City or the reporting or disclosure thereof in connection with the sale of the Certificates.

IN OUR CAPACITY AS BOND COUNSEL, we have participated in the preparation of and have examined a transcript of certified materials pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the City; customary certificates of officers, agents, and representatives of the City; and other certified showings relating to the authorization and issuance of the Certificates. We also have examined executed Certificate No. I-1 of this issue.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that 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; that therefore the Certificates are valid and legally binding obligations of the City; that all taxable property in the City is subject to the levy of ad valorem taxes to pay the same, within the limits prescribed by law; and that the Certificates are further secured by a limited pledge of the surplus revenues of the City's park system as provided in the Ordinance.

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.

The Certificates are obligations solely of the City and are not obligations of the State of Texas, Brazoria County, or any other entity.

IT IS OUR FURTHER OPINION that interest on the Certificates is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 ("Code"). Interest on the Certificates is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual, or receipt of interest on, the Certificates.

The opinion set forth in the first sentence of the immediately preceding paragraph is subject to the condition that the City comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Certificates in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The City has covenanted in the Ordinance and the Federal Tax Certificate executed by the City on the date hereof, to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. The Code and the existing regulations, rulings and court decisions thereunder, upon which the foregoing opinion is based, are subject to change, which could prospectively or retroactively result in the inclusion of the interest on the Certificates in gross income of the owners thereof for federal income tax purposes.

Our opinion is based on existing law, which is subject to change. In providing such opinion, we have relied on representations of the City, the City's Financial Advisor, and the Purchaser (as defined in the Ordinance) with respect to matters solely within the knowledge of the City, the City's Financial Advisor, and the Purchaser, respectively, which we have not independently verified. Such opinion is further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinion to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that my thereafter occur or become effective. Moreover, our opinion is not a guarantee of result and is not binding on the Internal Revenue Service; rather, such opinion represents our legal judgement as of the date hereof based upon our review of existing law that we deem relevant to such opinion and in reliance upon the representations and covenants referenced above.

**APPENDIX D**

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

ASSURED GUARANTY
MUNICIPAL

# MUNICIPAL BOND INSURANCE POLICY



ISSUER:

Policy No: -N

BONDS: $ in aggregate principal amount of

Effective Date:

Premium: $

ASSURED GUARANTY MUNICIPAL CORP. ("AGM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of AGM, 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 Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the 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 AGM. 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 AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

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 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 AGM 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 of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount 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 or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

To the fullest extent permitted by applicable law, AGM 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 AGM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of AGM, 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, (a) 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 and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.



ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100