Ratings:
Moody's: "A3"
S&P: "AA" / AGM Insured
See "Other Information– Ratings" and "Bond Insurance Risk Factors" herein

PRELIMINARY OFFICIAL STATEMENT

Dated August 4, 2022

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under "TAX MATTERS – Tax Exemption" herein

THE CERTIFICATES **WILL BE** DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$2,950,000*
CITY OF VAN, TEXAS
(Van Zandt County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

Dated Date: August 15, 2022 | **Due: August 15, as shown on page 2**
Interest to Accrue from Date of Delivery

PAYMENT TERMS. . . Interest on the $2,950,000* City of Van, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") will accrue from the Date of Delivery (defined below), and will be payable February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption, 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 within a maturity. **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 (identified below) 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 Zions Bancorporation, National Association, Amegy Bank Division, Houston, 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"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502 Texas Government Code, as amended, and constitute direct obligations of the City of Van, Texas (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, levied within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of the Net Revenues of the City's Waterworks and Sewer System, as provided in the ordinance authorizing the Certificates to be adopted by the City Council of the City on the date of sale of the Certificates (the "Ordinance") (see "The CERTIFICATES - Authority for Issuance" and "THE CERTIFICATES – Security and Source of Payment").

PURPOSE. . . Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for: (i) the construction of public works, to wit: constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities, including the acquisition of land and rights-of-way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof.

BOND INSURANCE . . . 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. ("AGM" or the "Insurer"). See "BOND INSURANCE" herein.

CUSIP PREFIX:
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY. . . The Certificates are offered for delivery when, as and if issued and received by the underwriter named below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Norton Rose Fulbright US LLP, Bond Counsel, Dallas, Texas, (see APPENDIX C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriter by, Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel for the Underwriter.

DELIVERY. . . It is expected that the Certificates will be available for delivery through DTC on September 8, 2022 (the "Date of Delivery").

SAMCO CAPITAL MARKETS

* Preliminary, subject to change.

CUSIP Prefix: [(1)]

MATURITY SCHEDULE*

Maturity August 15	Principal Amount	Interest Rate	Initial Yield	CUSIP[(1)] Suffix	Maturity August 15	Principal Amount	Interest Rate	Initial Yield	CUSIP[(1)] Suffix
2023	$ 105,000				2033	$ 145,000			
2024	95,000				2034	150,000			
2025	95,000				2035	160,000			
2026	100,000				2036	165,000			
2027	110,000				2037	175,000			
2028	115,000				2038	185,000			
2029	120,000				2039	195,000			
2030	125,000				2040	205,000			
2031	130,000				2041	215,000			
2032	135,000				2042	225,000			

(Interest to accrue from the Date of Delivery)

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OPTIONAL REDEMPTION. . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 20____, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 20____, 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 the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

* Preliminary, subject to change.

For purpose of compliance with Rule 15c2-12 of the United States Securities and Exchange Commission (the "Rule"), this document, as the same may be supplemented or corrected from time to time, may be treated as an "official statement" with respect to the Certificates described herein deemed "final" by the City as of the date hereof (or of any supplement or correction) except for the omission of no more than the information provided by Subsection (b)(1) of Rule 15c2-12.

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, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell Certificates in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

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

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

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

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

The Underwriter has provided the following sentence for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility 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 of or completeness of such information.

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 "BOND INSURANCE" and "Appendix D – Specimen Municipal Bond Insurance Policy".

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE, AND ACHIEVEMENTS TO BE DIFFERENT FROM 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. SEE "OTHER INFORMATION – FORWARD-LOOKING STATEMENTS DISCLAIMER."

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 of sale of the Certificates is to be construed as constituting an agreement with the purchasers of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

TABLE OF CONTENTS

The cover page hereof, this page, and the appendices included herein and any addenda, supplement 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 Van (the "City") is a political subdivision and Type A general law municipal corporation of the State, located in Van Zandt County, Texas. The City covers approximately 3.0 square miles (see "INTRODUCTION - Description of the City").

THE CERTIFICATES .... The $2,950,000* City of Van, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates") are issued as serial certificates maturing August 15 in each of the years 2023 through 2042, unless the Underwriter designates one or more maturities as 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 February 15, 2023, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").

AUTHORITY FOR ISSUANCE .... The Certificates are authorized and issued pursuant to the Constitution and the general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502 Texas Government Code, as amended, and an ordinance (the "Ordinance") to be adopted by the City Council of the City on the date of sale of the Certificates (see "THE CERTIFICATES – Authority for Issuance").

SECURITY FOR THE CERTIFICATES .... The Certificates are direct obligations of the City payable from the levy and collection of a direct and continuing annual ad valorem tax, levied within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance. Additionally, the Certificates are payable from a pledge of the Net Revenues of the Waterwork and Sewer System (see "THE CERTIFICATES - Security and Source of Payment").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City **will** designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.

OPTIONAL REDEMPTION .... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 20___, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The CERTIFICATES - Optional Redemption").

TAX EXEMPTION .... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations to be incurred for: (i) the construction of public works, to wit: constructing, acquiring, purchasing, renovating, enlarging, equipping, and improving water and sewer system properties and facilities, including the acquisition of land and rights-of-way therefor, and (ii) professional services rendered in relation to such projects and the financing thereof.

RATINGS .... The Certificates are expected to be rated "AA" by S&P Global Ratings, a division of S&P Global, Inc. ("S&P") by virtue of a municipal bond insurance policy to be issued by AGM upon delivery of the Certificates. In addition, the Certificates and the presently outstanding tax supported debt of the City are rated "A3" by Moody's Investors Service ("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 within a maturity. 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").

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* Preliminary, subject to change.

Bond Insurance .... The scheduled payment of principal of and interest on the Certificates when due will be guaranteed by Assured Guaranty Municipal Corp. ("AGM" or the "Insurer"). See "BOND INSURANCE" herein.

Payment Record .... The City has never defaulted in payment of its bonded indebtedness.

Selected Financial Information

Fiscal Year Ended 9/30	Estimated City Population[(1)]	Taxable Assessed Valuation[(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt	Per Capita G. O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2018	2,661	$ 122,470,257	46,024	2,440,000	917	1.99%	97.49%
2019	2,661	112,449,484	42,258	7,180,000	2,698	6.39%	103.68%
2020	2,661	137,088,955	51,518	6,980,000	2,623	5.09%	100.34%
2021	2,801	146,975,542	52,473	6,760,000	2,413	4.60%	101.66%
2022	2,801	151,842,410	54,210	9,485,000 (3)	3,386 (3)	6.25% (3)	98.93% (4)

(1) Source: City officials.
(2) As reported by the Van Zandt County Appraisal District on the City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Projected. Includes the Certificates. Preliminary, subject to change.
(4) Collections as of July 5, 2022.

For additional information regarding the City, please contact:

Sereca Huff-Huggins, City Secretary
City of Van, Texas
310 Chestnut St.
Van, TX 75790
(903) 963-7216
shuggins@vantx.gov

or

Jason L. Hughes, Managing Director
Hilltop Securities Inc.
1201 Elm Street, Suite 3500
Dallas, TX 75270
(214) 953-8707
jason.hughes@hilltopsecurities.com

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Tammy Huff Mayor	1 month	2024	Teacher
Ernie Burns Mayor Pro Tem	6 Years	2024	Business Owner
Linzy Neal Councilmember	5 Years	2023	Retail
Charles Ryan Councilmember	1 year	2023	Purchaser for Lone Star Wheel Components
Melissa Rust Councilmember	1 month	2024	Funeral Director
Vacant Councilmember	-	-	-

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City	Total Length of Governmental Service
Sereca Huff-Huggins	City Secretary	10 Years	10 Years
Kevin Johnson	Public Works Director	18 Years	20 Years

CONSULTANTS AND ADVISORS

Certified Public Accountants .... Mike Ward Accounting & Financial Consulting, PLLC.
Point Texas

Bond Counsel .... Norton Rose Fulbright US LLP
Dallas, Texas

Financial Advisor...Hilltop Securities Inc.
Dallas, Texas

PRELIMINARY OFFICIAL STATEMENT

RELATING TO

$2,950,000*
CITY OF VAN, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2022

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the $2,950,000* City of Van, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance to be adopted by the City Council of the City of Van, Texas (the "City") on the date of sale of the Certificates which will authorize the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

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, Hilltop Securities Inc., Dallas, Texas.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City was incorporated 1947. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, fire protection, animal control and inspection), streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The 2020 Census population for the City was 2,661, with an estimated 2022 population of 2,801. The City covers approximately 3.0 square miles. For additional information relating to the City, see "APPENDIX A - GENERAL INFORMATION REGARDING 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 because of the effects of COVID-19. Subsequently, in response to a rise in COVID-19 infections in the State and pursuant to the Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings and other activities.

Over the ensuing year, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the U.S., the State and the City. Following the widespread release and distribution of various COVID-19 vaccines beginning in December 2020 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) began lifting business and social limitations associated with COVID-19. Under executive orders in effect as of the date of this Official Statement, there are no COVID-19 related operating limits for any business or other establishment in Texas. The Governor retains the right to impose future 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, either expressly or by implication, into this Official Statement.

With the easing or removal of associated governmental restrictions, economic activity has increased. However, there are no assurances that economic activity will continue or increase at the same rate, especially if there are future outbreaks of COVID-19 or variants of COVID-19. The COVID-19 pandemic may result in lasting changes in some businesses and social practices, which could affect business activity and limit the growth of or reduce the City's ad valorem and sales tax collections. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. The City cannot predict the long-term economic effect of COVID-19 or the effect of any future outbreak of COVID-19, or variants of COVID-19, or a similar virus on the City's operations or financial condition.

* Preliminary, subject to change.

Some of the financial and operating data contained herein are as of dates and for periods prior to the economic impact of COVID-19 and measures instituted to slow it. Accordingly, such information is not necessarily indicative of the current financial condition or future prospects of the City. The City continues to monitor the spread of COVID-19 and is working with local, State, and national agencies to address the potential impact of the COVID-19 pandemic upon the City. While the extent of the impact of COVID-19 on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition, and the effect could be material.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated August 15, 2022. The Certificates mature on August 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Certificates will accrue from the Date of Delivery (defined on the cover page hereof), will be computed on the basis of a 360-day year of twelve 30-day months and will be payable on February 15 and August 15 of each year, commencing February 15, 2023, until maturity or prior redemption. 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 beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar (identified below) 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).

Interest on the Certificates shall be paid to the registered owners appearing on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (hereinafter defined), and such interest shall be paid (i) by check sent United States Mail, first class, postage prepaid, to the address of the registered owner recorded in the registration books of the Paying Agent/Registrar, or (ii) by such other method, acceptable to the Paying Agent/Registrar requested by, and at the risk and expense of, the registered owner. Principal of the Certificates will be paid to the registered owner at their stated maturity or upon earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as Cede & Co. (or other DTC nominee) is the registered owner of the Certificates, all payments will be made as described under "The Certificates - Book-Entry-Only System" herein. If the date for any payment on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Certificates are being authorized and issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and Chapter 1502 Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City payable from a direct and continuing annual ad valorem tax levied, within the limits prescribed by law, against all taxable property within the City (see "The Certificates - Tax Rate Limitation" below). The Certificates are additionally secured by a lien on and pledge of the Net Revenues (defined in the Ordinance) of the City's combined Waterworks and Sewer System (the "System"). Such lien and pledge, however, is subordinate and inferior to the lien on and pledge of the Net Revenues that may be pledged to the payment of Prior Lien Obligations (as defined in the Ordinance) hereafter issued by the City.

TAX RATE LIMITATION…All taxable property within the City is subject to the assessment, levy, and collection by the City of a continuing, direct annual ad valorem tax, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on all ad valorem tax debt. Article XI, Section 4, of the Texas Constitution is applicable to the City, and provides for a maximum ad valorem tax rate of $1.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State will permit allocation of $1.00 of the $1.50 maximum tax rate for all general obligation debt service as calculated at the time of issuance and based on a 90% tax collection rate. Also, see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations."

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after August 15, 20___, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on August 15, 20___, 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 may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

MANDATORY SINKING FUND REDEMPTION . . . In the event any of the Certificates are structured as "term" Certificates, such term Certificates will be subject to mandatory sinking fund redemption in accordance with the applicable provisions of the Ordinance, which provisions will be included in the final Official Statement.

NOTICE OF REDEMPTION. . . Not less than 30 days prior to a redemption date for the Certificates, the City will cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Certificate to be redeemed, in whole or in part, at the address of the registered owner appearing on the registration books of the Paying Agent/Registrar at the close of business on the business day next preceding the date of mailing such notice. Any notice of redemption so mailed will be conclusively presumed to have been duly given irrespective of whether received by the owner of the Certificate. If such notice of redemption is given and if due provision for such payment is made and all other conditions to redemption are satisfied, all as provided above and as further described in the following paragraph, the Certificates or portions thereof which are to be so redeemed 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.

With respect to any optional redemption of the Certificates, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption will, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a notice of conditional redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Certificates and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Certificates have not been redeemed.

The Paying Agent/Registrar and the City, so long as a Book-Entry-Only System is used for the Certificates, will send any notice of redemption relating to the Certificates, notice of proposed amendment to the Ordinance or other notices with respect to the Certificates only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the Beneficial Owner, will not affect the validity of the redemption of the Certificates called for redemption or any other action premised on any such notice. Redemption of portions of the Certificates by the City will reduce the outstanding principal amount of such Certificates held by DTC. In such event, DTC may implement, through its Book-Entry-Only System, a redemption of such Certificates held for the account of DTC participants in accordance with its rules or other agreements with DTC participants and then DTC participants and indirect participants may implement a redemption of such Certificates from the Beneficial Owners. Any such selection of Certificates within a maturity to be redeemed will not be governed by the Ordinance and will not be conducted by the City or the Paying Agent/Registrar. Neither the City nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See “The Certificates - Book-Entry-Only System” herein.)

DEFEASANCE . . . The Ordinance provides for the defeasance of Certificates when the payment of the principal of and premium, if any, on such Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar or an authorized escrow agent, in trust (1) money sufficient to make such payment or (2) Government Securities, certified by an independent public accounting firm or other qualified third party to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates. The Ordinance provides that “Government Securities” means (a) direct, noncallable obligations of the United States of America, including obligations the principal of and interest on which are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent and (d) any other then authorized securities or obligations that may be used to defease obligations such as the Certificates under the then applicable laws of the State of Texas. The City reserves the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities for the Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid and will cease to be outstanding obligations secured by the Ordinance or treated as debt of the City for purposes of taxation or applying any limitation on the City’s ability to issue debt or for any other purpose. After firm banking and financial arrangements for the discharge and final payment or redemption of the Certificates have been made as described above, all right of the City to initiate proceedings to call the Certificates that have been defeased to maturity for redemption or take any other action amending the terms of the Certificates that have been defeased to maturity are extinguished; provided, however, that the right to call the Certificates that have been defeased to maturity for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may be deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under State law. There is no assurance that the ratings for U.S. Treasury securities used as Government Securities or that for any other Government Security will be maintained at any particular rating category.

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

BOOK-ENTRY-ONLY SYSTEM . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of and interest on the Certificates are to be paid to and accredited 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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.*

Neither the City nor the Underwriter cannot nor does 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 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). One fully registered Certificate will be issued for each maturity of the Certificates in the aggregate principal amount of each 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 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, but Beneficial Owners are expected to receive written confirmations providing details of the transactions, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owners entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Certificates representing their ownership interests in the 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 Participant to whose account such Certificates are credited, which may or may not be the Beneficial Owners. The 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 the 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 defaults and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Principal and interest payments on the Certificates will be made to 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 dates 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 in the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest to DTC is the responsibility of the City, disbursement of such payments to Direct Participants shall be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

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

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

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

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

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City with respect to the Certificates, printed Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE CERTIFICATES - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR. . . The initial Paying Agent/Registrar for the Certificates is Zions Bancorporation, National Association, Amegy Bank Division, Houston, 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 of Texas 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.

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

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

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 last business day of the preceding month.

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

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal of or interest on the Certificates or the redemption price of a Certificate when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or the obligations under the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and, accordingly, all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W. 3d 427 (Tex. 2016) ("Wasson") that sovereign 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. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist then the Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Certificates 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. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or holders of the Certificates of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce creditors' rights would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors.

SOURCES AND USES OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

Sources:	
Par Amount	$
Reoffering Premium	
TOTAL SOURCES	$
Uses:	
Deposit to Construction Fund	$
Underwriter's Discount	
Costs of Issuance	
TOTAL USES	$

BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") 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 an appendix 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 July 8, 2022, 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.

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.

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 June 30, 2022:

- The policyholders' surplus of AGM was approximately $2,779 million.
- The contingency reserve of AGM was approximately $905 million.
- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,114 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);
(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); and
(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2022 (filed by AGL with the SEC on August 4, 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 "BOND INSURANCE – Assured Guaranty Municipal Corp." 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 "BOND INSURANCE".

BOND INSURANCE RISK FACTORS

GENERAL . . . The City has obtained a commitment from a bond insurance company (the "Insurer") to provide a municipal bond insurance policy relating to the Certificates.

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

Default of payment of principal and interest will not obligate acceleration of the obligations of the Insurer without appropriate consent. The Insurer may require its consent to any remedies and the Insurer's consent may be required in connection with amendments to any applicable Bond documents.

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

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

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P Global Ratings, a division of S&P Global Inc., and Fitch Ratings have downgraded the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, certain events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Certificates.

AD VALOREM PROPERTY TAXATION

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

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

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

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

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

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

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

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

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

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

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

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

TEMPORARY EXEMPTION FOR QUALIFIED PROPERTY DAMAGED BY A DISASTER . . . The Property Tax Code entitles the owner of certain qualified (i) tangible personal property used for the production of income, (ii) improvements to real property, and (iii) manufactured homes located in an area declared by the governor to be a disaster area following a disaster and is at least 15 percent damaged by the disaster, as determined by the chief appraiser, to an exemption from taxation of a portion of the appraised value of the property. The amount of the exemption ranges from 15 percent to 100 percent based upon the damage assessment rating assigned by the chief appraiser. Except in situations where the territory is declared a disaster on or after the date the taxing unit adopts a tax rate for the year in which the disaster declaration is issued, the governing body of the taxing unit is not required to take any action in order for the taxpayer to be eligible for the exemption. If a taxpayer qualifies for the exemption after the beginning of the tax year, the amount of the exemption is prorated based on the number of days left in the tax year following the day on which the governor declares the area to be a disaster area. For more information on the exemption, reference is made to Section 11.35 of the Tax Code. Section 11.35 of the Tax Code was enacted during the 2019 legislative session, and there is no judicial precedent for how the statute will be applied. Texas Attorney General Opinion KP-0299, issued on April 13, 2020, concluded a court would likely find the Texas Legislature intended to limit the temporary tax exemption to apply to property physically harmed as a result of a declared disaster.

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

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

TAX ABATEMENT AGREEMENTS. . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

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

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

Owners of certain property with a taxable value in excess of the current year "minimum eligibility amount," as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $52,978,200 for the 2022 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

The Property Tax Code sets forth notice and hearing procedures for certain tax rate increases by the District and provides for taxpayer referenda that could result in the repeal of certain tax increases (see "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

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

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES. . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS TAX RATE LIMITATIONS. . . The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS. . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.00 of the $1.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $3,000. The City also grants and exemption to disabled veterans of $3,000.

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

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The City does not tax nonbusiness personal property.

The City does not permit split payments, and discounts are not allowed for early payment of taxes.

The City does not tax freeport property.

The City does not tax goods-in-transit.

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

The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. Generally, projects are eligible for a tax abatement of up to 100% for a period of 10 years.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2021/22 Market Valuation Established by Van Zandt County Appraisal District (excluding totally exempt property)		$ 178,379,401
Less Exemptions/Reductions at 100% Market Value:		
Productivity Loss	$ 2,946,540	
Over 65 Exemptions	664,526	
Homestead Exemptions	16,225,584	
Disabled	58,500	
Homestead Cap	4,350,520	
Disabled Veterans	2,105,993	
Other (Minimum Value)	185,328	$ 26,536,991
2021/22 Taxable Assessed Valuation		$ 151,842,410
General Obligation Debt Payable from Ad Valorem Taxes (as of 7/31/2022)	$ 6,760,000	
The Certificates[(1)]	2,950,000	
General Obligation Debt Payable from Ad Valorem Taxes		$ 9,710,000 [(1)]
General Obligation Interest and Sinking Fund (as of 6/15/2022)		$ 75,924
Ratio Net General Obligation Debt to Net Taxable Assessed Valuation		6.39% [(1)]

2022 Estimated Population - 2,801
Per Capita Taxable Assessed Valuation - $54,210
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $3,467 [(1)]

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(1) Preliminary, subject to change.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2022		2021		2020	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 109,147,602	61.19%	$ 100,987,039	59.64%	$ 88,402,183	56.53%
Real, Residential, Multi-Family	5,220,940	2.93%	4,603,300	2.72%	4,598,610	2.94%
Real, Vacant Lots/Tracts	1,957,940	1.10%	1,738,540	1.03%	1,593,500	1.02%
Real, Acreage (Land Only)	3,036,210	1.70%	2,797,330	1.65%	2,641,000	1.69%
Real, Farm and Ranch Improvements	6,820,500	3.82%	5,952,010	3.52%	5,210,720	3.33%
Real, Commercial	29,348,886	16.45%	26,716,233	15.78%	24,137,130	15.44%
Real, Industrial	928,270	0.52%	933,008	0.55%	933,724	0.60%
Oil, Gas and Mineral Reserves	7,776,970	4.36%	10,833,555	6.40%	13,574,073	8.68%
Real and Tangible Personal, Utilities	2,478,090	1.39%	2,020,224	1.19%	1,828,440	1.17%
Tangible Personal, Commercial	9,668,230	5.42%	10,014,150	5.91%	10,799,590	6.91%
Tangible Personal, Industrial	1,869,780	1.05%	2,578,662	1.52%	2,497,652	1.60%
Mobile Homes	124,400	0.07%	115,730	0.07%	70,490	0.05%
Real Property, Inventory	-	0.00%	28,790	0.02%	79,960	0.05%
Special Inventory	1,583	0.00%	7,113	0.00%	7,677	0.00%
Total Appraised Value Before Exemptions	$ 178,379,401	100.00%	$ 169,325,684	100.00%	$ 156,374,749	100.00%
Less: Total Exemptions/Reductions	26,536,991		22,350,142		19,285,794	
Taxable Assessed Value	$ 151,842,410		$ 146,975,542		$ 137,088,955	

	Taxable Appraised Value for Fiscal Year Ended Sept. 30,			
	2019		2018	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 80,098,650	57.63%	$ 81,128,540	58.35%
Real, Residential, Multi-Family	3,948,810	2.84%	3,944,510	2.84%
Real, Vacant Lots/Tracts	1,328,250	0.96%	1,328,100	0.96%
Real, Acreage (Land Only)	2,400,260	1.73%	2,453,520	1.76%
Real, Farm and Ranch Improvements	4,780,690	3.44%	4,542,280	3.27%
Real, Commercial	23,207,924	16.70%	22,379,040	16.09%
Real, Industrial	905,665	0.65%	894,042	0.64%
Oil, Gas and Mineral Reserves	7,360,281	5.30%	7,782,842	5.60%
Real and Tangible Personal, Utilities	1,952,161	1.40%	1,781,435	1.28%
Tangible Personal, Commercial	10,646,370	7.66%	10,407,020	7.48%
Tangible Personal, Industrial	2,237,165	1.61%	2,292,848	1.65%
Mobile Homes	61,880	0.04%	64,920	0.05%
Real Property, Inventory	38,530	0.03%	38,620	0.03%
Special Inventory	19,839	0.01%	5,902	0.00%
Total Appraised Value Before Exemptions	$ 138,986,475	100.00%	$ 139,043,619	100.00%
Less: Total Exemptions/Reductions	26,536,991		16,573,362	
Taxable Assessed Value	$ 112,449,484		$ 122,470,257	

NOTE: Valuations shown are certified taxable assessed values reported by the 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.

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 G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2018	2,661	$ 122,470,257	$ 46,024	$ 2,440,000	1.99%	$ 917
2019	2,661	112,449,484	42,258	7,180,000	6.39%	2,698
2020	2,661	137,088,955	51,518	6,980,000	5.09%	2,623
2021	2,801	146,975,542	52,473	6,760,000	4.60%	2,413
2022	2,801	151,842,410	54,210	9,485,000 (3)	6.25% (3)	3,386 (3)

(1) Source: City officials.
(2) As reported by the Appraisal District on the City's annual State Property Tax Reports and excludes total exemptions and reductions; subject to change during the ensuing year.
(3) Projected. Includes the Certificates. Preliminary, subject to change.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2018	$ 0.62500	$ 0.45930	$ 0.16570	765,439	95.69%	97.49%
2019	0.62500	0.45615	0.16885	702,809	101.23%	103.68%
2020	0.60600	0.45500	0.15100	811,983	98.03%	100.34%
2021	0.60600	0.44360	0.16240	860,293	98.08%	101.66%
2022	0.60000	0.46580	0.13420	877,340	96.91% (1)	98.93% (1)

(1) Collections as of July 5, 2022.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2021/22 Taxable Assessed Valuation	% of Taxable Assessed Valuation
Basa Resources Inc.	Oil & Gas	$ 7,041,640	4.64%
Love's Travel Stop	Travel Center	5,737,260	3.78%
Love's Hospitality LLC	Hotel	4,143,341	2.73%
Brookshire Grocery Company	Grocery Store	2,959,580	1.95%
Roserock Investments LP	Real Estate	1,894,280	1.25%
Oncor Electric Delivery Company	Electric Utility	1,629,020	1.07%
Loves Country Stores Inc.	Travel Center	1,571,610	1.04%
Wisent Properties LLC	Apartments	1,080,460	0.71%
East Texas Seals	Distributor of O Rings and Gaskets	1,079,540	0.71%
DLG Properties LLC	Real Estate	884,900	0.58%
		$ 28,021,631	18.45%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law (see "The CERTIFICATES - Tax Rate Limitation").

TABLE 6 - TAX ADEQUACY[(1)]

2022 Net Principal and Interest Requirements	$	462,213
$0.4238 Tax Rate at 97.00% Collection Produces	$	462,264
Average Annual Net Principal and Interest Requirements, 2022 - 2044	$	616,206
$0.5650 Tax Rate at 97.00% Collection Produces	$	616,279
Maximum Net Principal and Interest Requirements, 2033	$	704,013
$0.6455 Tax Rate at 97.00% Collection Produces	$	704,086

(1) Includes the Certificates. Preliminary, subject to change.

TABLE 7 - 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 obligations ("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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional Tax Debt, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	2021/22 Taxable Assessed Value	2021/22 Tax Rate	Total Net Tax Debt	Estimated % Applicable	City's Overlapping Tax Debt As of 7/31/2022	Authorized But Unissued Debt as of As of 7/31/2022
City of Van	$ 151,842,410	$ 0.60000	$ 9,710,000 (1)	100.00%	$ 9,710,000 (1)	$ -
Tyler JCD	18,406,029,309	0.20000	39,663,000	0.83%	329,203	-
Van ISD	938,127,209	1.27500	37,149,447	18.15%	6,742,625	-
Total Direct and Overlapping Tax Debt					$ 16,781,828	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					11.05%	
Per Capita Overlapping Tax Debt					$ 5,991.37	

(1) Includes the Certificates. Preliminary, subject to change.

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DEBT INFORMATION

TABLE 8 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service Principal	Outstanding Debt Service Interest	Outstanding Debt Service Total	The Certificates[1] Principal	The Certificates[1] Interest	The Certificates[1] Total	Total Debt Service Requirements	% of Principal Retired
2022	$ 225,000	$ 237,213	$ 462,213	$ -	$ -	$ -	462,213	
2023	235,000	228,063	463,063	105,000	128,653	233,653	696,715	
2024	245,000	218,513	463,513	95,000	142,250	237,250	700,763	
2025	255,000	208,463	463,463	95,000	137,500	232,500	695,963	
2026	270,000	198,013	468,013	100,000	132,750	232,750	700,763	16.74%
2027	275,000	186,913	461,913	110,000	127,750	237,750	699,663	
2028	290,000	175,563	465,563	115,000	122,250	237,250	702,813	
2029	300,000	163,563	463,563	120,000	116,500	236,500	700,063	
2030	315,000	151,163	466,163	125,000	110,500	235,500	701,663	
2031	330,000	137,775	467,775	130,000	104,250	234,250	702,025	38.47%
2032	345,000	123,725	468,725	135,000	97,750	232,750	701,475	
2033	355,000	113,013	468,013	145,000	91,000	236,000	704,013	
2034	360,000	101,988	461,988	150,000	83,750	233,750	695,738	
2035	370,000	90,813	460,813	160,000	76,250	236,250	697,063	
2036	385,000	79,325	464,325	165,000	68,250	233,250	697,575	64.93%
2037	395,000	66,975	461,975	175,000	60,000	235,000	696,975	
2038	235,000	54,300	289,300	185,000	51,250	236,250	525,550	
2039	245,000	47,250	292,250	195,000	42,000	237,000	529,250	
2040	250,000	39,900	289,900	205,000	32,250	237,250	527,150	
2041	260,000	32,400	292,400	215,000	22,000	237,000	529,400	89.24%
2042	265,000	24,600	289,600	225,000	11,250	236,250	525,850	
2043	275,000	16,650	291,650	-	-	-	291,650	
2044	280,000	8,400	288,400	-	-	-	288,400	100.00%
	$ 6,760,000	$ 2,704,575	$ 9,464,575	$ 2,950,000	$ 1,758,153	$ 4,708,153	$ 14,172,728	

(1) Average life of the Certificates – 11.920 years. Interest calculated at an average rate for purposes of illustration. Preliminary, subject to change.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/2022[1]		$ 462,213
Interest and Sinking Fund, As of 9/30/2021	$ 1,783	
Budgeted 2021/22 Interest and Sinking Fund Tax Levy	231,107	
Transfer from Water Fund	231,107	463,996
Estimated Balance, Fiscal Year Ending 9/30/22		$ 1,784

(1) Includes the Certificates. Preliminary, subject to change.

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation bonds. However, the City may incur non-voter approved debts payable from or secured by its collection of taxes and other sources of revenue, including certificates of obligation, tax notes, public property finance contractual obligations, and leases for various purposes.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT. . . The City does not anticipate issuing additional general obligation debt in the next twelve months.

Table 11 - Other Obligations

The City has the following outstanding notes payable:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 30-Sep 2020	Issued	Retired	Amounts Outstanding 30-Sep 2021	Due Within One Year
2011 Firetruck	5.250%	$ 300,000	$ 146,317	$ -	$ (21,712)	$ 124,605	$ 22,851
2019 Police Tahoe's	3.750%	121,299	79,841	-	(39,186)	40,655	40,655
2021 PW Equipment	3.670%	115,427	-	115,427	-	115,427	21,452
2021 City Hall	2.927%	204,688	-	204,688	-	204,688	38,610
Total Notes Payable		$ 741,414	$ 226,158	$ 320,115	$ (60,898)	$ 485,375	$ 123,568

Debt service requirements for the notes payable are as follows:

FYE	Notes Payable		Total
30-Sep	Principal	Interest	Requirement
2022	123,568	18,294	141,862
2023	86,031	13,652	99,683
2024	89,273	10,410	99,683
2025	92,645	7,038	99,683
2026	93,858	3,529	97,387
Total	$ 485,375	$ 52,923	$ 538,298

The City has the following outstanding capital leases:

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding 30-Sep 2020	Issued	Retired	Amounts Outstanding 30-Sep 2021	Due Within One Year
Bunker Gear	3.950%	$ 54,611	$ 23,131	$ -	$ (11,337)	$ 11,784	$ 11,784
John Deere	5.500%	64,000	13,698	-	(13,698)	-	-
F350 Truck	3.970%	36,402	-	36,402	(18,236)	18,166	18,166
Total Capital Leases		$ 155,013	$ 36,829	$ 36,402	$ (43,271)	$ 29,950	$ 29,950

Debt service requirements for the capital leases are as follows:

FYE	Capital Leases		Total
30-Sep	Principal	Interest	Requirement
2022	$ 29,950	$ 972	$ 30,922
Total	$ 29,950	$ 972	$ 30,922

Pension Fund

Plan Description – The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit 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 ("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 of 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 comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.com.

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

Benefits Provided

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

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

Employees Covered By Benefit Terms - At December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

	Plan Year	
	2020	2019
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	17	17
Active employees	25	20
Total	54	49

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 City Council. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 6% of their annual gross earnings during the fiscal year. The contribution rates for the City of Van, Texas were 7.32% and 7.18% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were $80,773.

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

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

Inflation	2.50% per year
Overall payroll growth	2.75% per year
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 PUB (10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates for actives, healthy retirees and beneficiaries are projected on a fully generational basis by scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees is used with a 4-year set forward for males and 3-year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females, respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

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

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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 weighing the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

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

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

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/19	$ 2,685,106	$ 2,816,749	$ (131,643)
Changes for the year:			
Service cost	125,916	-	125,916
Interest	181,619	-	181,619
Changes of benefit terms	-	-	-
Differences between expected and actual experience	(76,814)	-	(76,814)
Contributions - employer	-	66,919	(66,919)
Contributions - employee	-	55,921	(55,921)
Net investment income	-	213,953	(213,953)
Benefit payments, including refunds of employee contributions	(114,829)	(114,829)	-
Administrative expenses	-	(1,384)	1,384
Other	-	(53)	53
Net Changes	$ 115,892	$ 220,527	$ (104,635)
Balance at 12/31/20	$ 2,800,998	$ 3,037,276	$ (236,278)

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Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the net pension liability of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability would have been if it were calculated using a discount rate that is 1 percentage point lower (5.75%) or 1 percent higher (7.75%) than the current rate:

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
Net Pension Liability/(Asset)	$ 126,068	$ (236,278)	$ (536,607)

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 in the amount of $62,518.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 77,054
Changes in assumptions and other inputs	6,935	-
Differences between projected and actual investment earnings	-	81,033
Contributions subsequent to the measurement date	62,810	-
Total	$ 69,745	$ 158,087

$62,810 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Net deferred outflow (inflow) of resources December 31	
2021	$ (66,980)
2022	(25,602)
2023	(53,807)
2024	(4,763)
2025	-
Thereafter	-
	$ (151,152)

OTHER POST-EMPLOYMENT BENEFIT OBLIGATIONS

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.

Total OPEB Liability – The City's total OPEB liability of 85,563 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

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

Inflation	2.50% per year
Salary Increase	3.50% to 11.5% including inflation
Discount rate*	2.00%

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2019.

Mortality Rates – Service Retirees:

RP2000 Combined Mortality Table with Blue Collar Adjustment with the male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Mortality Rates – Disabled Retirees:

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Inactive employees currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	4
Active employees	25
Total	39

Changes in the Total OPEB Liability

Total OPEB Liability, beginning of year	$	76,903
Changes for the year:		
Service cost		4,567
Interest on Total OPEB Liability		2,169
Changes of benefit terms		-
Differences between expected and actual experience		(6,232)
Changes in assumptions or other inputs		11,808
Benefit payments		(652)
Total OPEB Liability - end of year	$	88,563

The following presents the Total OPEB Liability of the City, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate.

	1% Decrease 1.00%	Current Discount 2.00%	1% Increase 3.00%
Total OPEB Liability	$ 108,566	$ 88,563	$ 73,319

Deferred (Inflows)/Outflows of Resources:

	Deferred Outflows of of Resources	Deferred Inflows of of Resources
Differences between expected and actual economic experience	$ -	$ 6,904
Changes in assumptions and other inputs	15,833	-
Contributions subsequent to the measurement date	-	-
Total	$ 15,833	$ 6,904

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

Net deferred outflow (inflow) of resources December 31	
2021	$ 2,746
2022	2,113
2023	2,908
2024	1,162
2025	-
Thereafter	-
	$ 8,929

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FINANCIAL INFORMATION

TABLE 12 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2021	2020	2019	2018	2017
Revenues					
General Property Taxes	$ 646,641	$ 610,727	$ 551,316	$ 570,486	$ 661,475
Sales Taxes	735,006	705,486	690,606	674,143	668,076
Franchise Taxes	120,810	107,063	110,931	101,844	99,974
Licenses & Permits	20,604	8,727	4,170	6,405	10,936
Fines and Forfeitures	201,621	66,418	129,014	135,603	135,050
Charges for Services	415,370	398,407	425,172	425,582	533,125
Intergovernmental	-	-	-	15,000	15,000
Grant Proceeds	1,859	139,841	1,954	15,144	1,094
Contributions and Donations	74,945	7,320	5,703	6,150	-
Miscellaneous	151,163	39,008	70,613	21,065	26,611
Total Revenues	$ 2,368,019	$ 2,082,997	$ 1,989,479	$ 1,971,422	$ 2,151,341
Expenditures					
General Government	$ 470,287	$ 439,361	$ 388,567	$ 440,037	$ 1,074,650
Public Safety	855,727	681,697	858,086	774,049	905,511
Public Works	41,327	125,190	147,387	86,780	191,528
Parks and Recreation	152,076	110,093	174,017	195,788	26,363
Public Services and Operations	516,767	389,645	392,510	378,419	42,673
Library	65,656	56,596	67,666	39,725	19,772
Debt Service:					
Principal Paid	74,806	154,798	168,648	-	87,321
Interest and fiscal agent fees	11,589	13,020	16,219	-	77,931
Capital Outlay:					
General Government	98,977	-	58,243	68,114	34,819
Public Safety	7,759	150,195	121,299	117,448	32,500
Public Works	673,184	11,808	178,279	444,005	-
Park and Recreation	797,216	17,059	14,522	139,030	-
Total Expenditures	$ 3,765,371	$ 2,149,462	$ 2,585,443	$ 2,683,395	$ 2,493,068
Excess (Deficiency) of Revenue Over Expenditures	$(1,397,352)	$ (66,465)	$ (595,964)	$ (711,973)	$ (341,727)
Other Financing Sources (Uses)					
US Government Reimbursement	127,600	-	408,859	23,416	-
Proceeds on Sale of Capital Assets	-	-	-	-	-
Operating Transfers In (Out)	1,341,373	-	132,665	221,315	229,515
Investment Income	1,448	15,214	2,324	992	16,261
Debt Proceeds	320,115	-	121,299	-	-
Excess (Deficiency) and Other Sources Over Expenditures and Other Uses	$ 393,184	$ (51,251)	$ 69,183	$ (466,250)	$ (95,951)
Beginning Fund Balance	742,700 (1)	793,932 (1)	717,156	1,183,406	1,279,357
Ending Fund Balance	$ 1,135,884	$ 742,681	$ 786,339	$ 717,156	$ 1,183,406

(1) Restated.

TABLE 12A - CHANGES IN NET ASSETS – GOVERNMENTAL ACTIVITIES

	Fiscal Year Ended September 30,				
	2021	2020	2019	2018	2017
Revenues					
Charges for Services	$ 652,687	$ 474,618	$ 561,422	$ 568,161	$ 679,553
Grants and Contributions	204,403	172,751	453,658	99,025	53,214
Property Taxes, Levied for General Purposes	646,641	619,663	552,395	567,514	683,646
City Sales & Use Taxes	735,006	705,486	690,606	674,143	668,076
Franchise Taxes	120,810	107,063	110,931	101,844	99,974
Hotel Occupancy Taxes	136,773	117,640	108,056	99,513	27,531
Investment Earnings	6,454	17,366	18,981	7,063	16,834
Gain on Sale of Capital Asset	-	-	-	-	-
Miscellaneous	155,829	41,530	70,293	27,599	31,847
Total Revenues	$ 2,658,603	$ 2,256,117	$ 2,566,342	$ 2,144,862	$ 2,260,675
Expenditures					
General Government	$ 538,111	$ 550,051	$ 552,738	$ 446,908	$ 1,014,197
Public Safety	882,961	833,942	860,217	762,726	805,733
Public Works	89,842	213,495	273,868	472,296	714,282
Public Services and Operations	683,229	541,872	558,071	416,069	305,399
Parks and Recreation	181,150	140,061	171,412	203,786	26,388
Interest on Long-Term Debt	-	-	-	-	133,520
Total Expenditures	$ 2,375,293	$ 2,279,421	$ 2,416,306	$ 2,301,785	$ 2,999,519
Transfers	$ 1,341,373	$ -	$ 294,280	$ 221,315	$ 229,515
Change in Net Assets	$ 1,624,683	$ (23,304)	$ 444,316	$ 64,392	$ (509,329)
Beginning Fund Balance, As Re-Stated	2,949,787	2,973,091	2,528,775	2,444,987	2,954,316
Prior Period Adjustments	-	-	-	19,396	-
Ending Fund Balance	$ 4,574,470	$ 2,949,787	$ 2,973,091	$ 2,528,775	$ 2,444,987

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TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts of the State, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. Effective in October of 1997, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (1/2 of 1%) for economic development and an additional one-half of one percent (1/2 of 1%) for property tax reduction. The amounts collected from the City's general 1% sales tax collections are:

Fiscal Year Ended 9/30	Total Collections [1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2018	$ 674,870	88.17%	$ 0.5510	$ 253.62
2019	689,295	98.08%	0.6130	259.04
2020	704,574	84.81%	0.5140	264.78
2021	733,289	82.33%	0.4989	261.80
2022	458,435 [2]	50.32%	0.3019	163.67

(1) Excludes sales tax for the Van 4B Economic Development Corporation. Collections provided by the City.
(2) Collections through June 2022.

The sales tax breakdown for the City is as follows:

Economic Development Corporation	0.50¢
Property Tax Reduction	0.50¢
City Sales and Use Tax	1.00¢
State Sales and Use Tax	6.25¢
Total	8.25¢

As noted in "Table 13 - Municipal Sales Tax History," above, in comparison to the revenues produced by the City through the exercise of its ad valorem taxation powers, the City funds a large portion of its operating budget though the collection of sales taxes. Sales tax revenues typically fluctuate in direct proportion to changes in general and local economic conditions, especially when compared to changes in the ad valorem tax base. In response to such economic changes, sales tax revenues also tend to change more quickly than the value of property against which ad valorem taxes are levied.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recorded when the related fund liability is incurred except for interest on general long-term obligations, which is recorded when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and a portion of accrued benefit leave which is recorded in the general long-term debt account group.

Proprietary Fund revenues and expenses are recognized on the accrual basis. Revenues are recognized in the accounting period in which they are earned. Expenses are recognized in the accounting period incurred.

General Fund Balance . . . The City's policy is to maintain surplus and unencumbered funds equal to 60 days of the next fiscal year's operating budget as the financial situation allows.

Use of Bond Proceeds . . . The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations. The City's policy is to use bond proceeds for capital expenditures only. Such revenues are never to be used to fund normal City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The City Manager submits a budget of estimated expenditures and revenues to the City Council by no later than 45 days prior to fiscal year end and should be enacted by the City Council prior to fiscal year end. The City Council holds a public hearing on the budget after giving at least 10 days notice of the hearing in the official newspaper of the City. The Council then makes any changes in the budget as it deems advisable and adopts a budget prior to October 1. Should the City Council fail to adopt a budget prior to October 1, the then existing budget together with its tax-levying ordinance and its appropriation ordinance, shall be deemed adopted for the ensuring fiscal year.

During the fiscal year, strict budgetary control is maintained by various methods, including the review of departmental expenditure and appropriation balances.

<u>Fund Investments</u> . . . The City's investment policy parallels the State laws which govern the investment of public funds. The City generally restricts investments to direct obligations of the United States Government and its agencies and to insured or collateralized bank certificates of deposit and investment pools.

INVESTMENTS

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

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

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

INVESTMENT POLICIES . . . Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City must adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City's investments 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." The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

TABLE 14 - CURRENT INVESTMENTS

As of July 5, 2022, the City's investable general funds were invested in the following categories:

Description	% of Market	Book Value
Pooled Cash	7.13%	$ 89,210
Bank Accounts	92.87%	1,162,232
	100.00%	$ 1,251,442

TAX MATTERS

TAX EXEMPTION. . . The delivery of the Certificates is subject to the opinion of Bond Counsel to the effect that interest on the Certificates for federal income tax purposes (1) will be excludable from gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of such opinion (the "Code"), pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The form of Bond Counsel's opinion is reproduced in Appendix C. The statutes, regulations, rulings, and court decisions on which such opinion is based are subject to change.

In rendering the foregoing opinion, Bond Counsel will rely upon representations and certifications of the City made in a certificate dated the date of delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance by the City with the provisions of the Ordinance subsequent to the issuance of the Certificates. The Ordinance contains covenants by the City with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, the periodic calculation and payment to the United States Treasury of "arbitrage" profits from the investment of proceeds and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the City described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on tax-exempt obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the City as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the City may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

Except as described above, Bond Counsel expresses no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust ("FASIT"), and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Existing law may change to reduce or eliminate the benefit to bondholders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

QUALIFIED TAX-EXEMPT OBLIGATIONS FOR FINANCIAL INSTITUTIONS . . . Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by "financial institutions" described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) bonds) which are designated by an issuer as "qualified tax-exempt obligations." An issuer may designate obligations as "qualified tax-exempt obligations" only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed $10,000,000.

The City will designate the Certificates as "qualified tax-exempt obligations" and will certify its expectation that the above-described $10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

TAX ACCOUNTING TREATMENT OF DISCOUNT AND PREMIUM ON CERTAIN CERTIFICATES . . . The initial public offering price of certain Certificates (the "Discount Certificates") may be less than the amount payable on such Certificates at maturity. An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificate. A portion of such original issue discount allocable to the holding period of such Discount Certificate by the initial purchaser will, upon the disposition of such Discount Certificate (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, for federal income tax purposes, on the same terms and conditions as those for other interest on the Certificates described above under "Tax Exemption." Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such Discount Certificate in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination of accrued original issue discount on Discount Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The purchase price of certain Certificates (the “Premium Certificates”) paid by an owner may be greater than the amount payable on such Certificates at maturity. An amount equal to the excess of a purchaser’s tax basis in a Premium Certificate over the amount payable at maturity constitutes premium to such purchaser. The basis for federal income tax purposes of a Premium Certificate in the hands of such purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium that is amortizable each year by a purchaser is determined by using such purchaser’s yield to maturity (or, in some cases with respect to a callable Certificate, the yield based on a call date that results in the lowest yield on the Certificate).

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable bond premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

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CONTINUING DISCLOSURE OF INFORMATION

The offering of the Certificates qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligation, because the City does not currently have outstanding more than $10,000,000 in aggregate amount of outstanding municipal securities (excluding securities offered in transactions that were exempt from the Rule 15c2-12(d)(2)) and no person is committed by contract or other arrangement with respect to payment of the Certificates. Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains an "obligated person" with respect to the Certificates, within the meaning of the Securities and Exchange Commission's 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 certain 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 annually. The information to be updated includes financial information and operating data with respect to the City of the general type included in the Official Statement to the extent such information is customarily prepared by the City and is publicly available, which currently consists of the City's annual audited financial statements. The City will update and provide this information within twelve months after the end of each fiscal year ending in and after 2022. The City will provide the updated information to the MSRB in electronic format, which will be available to the public free of charge via the Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the United States Securities and Exchange Commission (the "SEC"), as permitted by the Rule. The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and will provide audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information (which currently consists of the City's audited financial statements, or unaudited financial statements if audited financial statements are not yet available) by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

NOTICE OF CERTAIN EVENTS . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice in a timely manner not in excess of ten business days after the occurrence of the event 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) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or change in the name of a trustee, if material; (15) incurrence of a Financial Obligation of the City (as defined by the Rule, which includes certain debt, debt-like, and debt-related obligations), if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. (Neither the Certificates nor the Ordinance makes any provision for debt service reserves or liquidity enhancement). In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

As used in clause (12) above, the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing governing body and officials or officers of the City 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. "Financial Obligation" means, for purposes of the events in clauses (15) and (16), 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 (i) or (ii). The term "Financial Obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule. Additionally, the City intends the words used in clauses (15) and (16) of the preceding paragraph to have the same meanings as when they are used in the Rule, as evidenced by SEC Release No. 34-83885, dated August 20, 2018.

AVAILABILITY OF INFORMATION FROM MSRB. . . The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org. The foregoing information to be provided described under "Annual Reports" and "Notice of Certain Events" may also be obtained from: Sereca Huff-Huggins, City Secretary, City of Van, Texas 310 Chestnut Street, Van, TX 75790, Phone: (903) 963-7216.

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . . The City first become obligated to file annual reports with the MSRB in an offering that took place in 2017. Due to an administrative oversight, certain annual financial information was not timely filed with EMMA for fiscal years ending 2016-2017. All information has since been filed including a notice of late filing. The Issuer has implemented procedures to ensure timely filing of all future financial information.

OTHER INFORMATION

RATINGS

The Certificates are expected to be rated "AA" by S&P by virtue of a municipal bond insurance policy to be issued by AGM upon delivery of the Certificates. The Certificates have an underlying rating of "A3" by Moody's Investors Service ("Moody's"). Additionally, the presently outstanding tax supported debt of the City is rated "A3" by Moody's without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing such rating. The rating reflects only the views of such organization 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 such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

LITIGATION

It is the opinion of the City Attorney and City Staff that there is no pending litigation against the City that would have a material adverse financial impact upon the City or its operations.

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

Legal Investments and Eligibility to Secure Public Funds in Texas

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

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

Legal Matters

The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas as to the Certificates to the effect that the Certificates are valid and legally binding obligations of the City and, based upon an examination of the transcript of proceedings relating to the Certificates, the approving legal opinion of Bond Counsel to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "Tax Matters" herein. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Though it represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under captions "The Certificates" (except under the subcaptions "Book-Entry-Only System", "Sources and Uses of Certificate Proceeds", "Certificateholders' Remedies" and the last sentence under "Tax Rate Limitation"), "Tax Matters", "Continuing Disclosure of Information" (except under the subcaption "Compliance With Prior Undertakings") and under the subcaptions "Legal Investments and Eligibility to Secure Public Funds in Texas", "Registration and Qualification of Certificates for Sale" and "Legal Matters" (except for the last sentence of the first paragraph thereof) under the caption "Other Information", and such firm is of the opinion that the information relating to the Certificates and legal matters contained under such captions and subcaptions is an accurate and fair description of the information purported to be shown therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Certificates is contingent upon the sale and delivery of the Certificates. Certain legal matters will be passed upon for the Underwriter by it's counsel, Orrick, Herrington & Sutcliffe, LLP, Houston, Texas, whose legal fees are contingent on the sale and delivery of the Certificates.

The 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 that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

Authenticity of Financial Data and Other Information

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

Financial Advisor

Hilltop Securities Inc. 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. Hilltop Securities Inc. will not submit a bid for the Certificates, either independently or as a member of a syndicate organized to submit a bid for the Certificates. Hilltop Securities in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and has not verified and 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.

Underwriting

The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City, at an underwriting discount of $________________. 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 has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

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.

Miscellaneous

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

____
Mayor
City of Van, Texas

ATTEST:

____
City Secretary
City of Van, Texas

<u>**APPENDIX A**</u>

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION. . . The City of Van (the “City”) is located in southeastern Van Zandt County, Texas, approximately 75 miles east of Dallas, 26 miles northwest of Tyler, and 14 miles east of Canton. It is traversed by Farm Road 314, State Highway 110, and Interstate Highway 20. The City is a retail center having an economic base that includes oil and gas production and hay and cattle production. Many City residents commute to jobs in the Dallas or Tyler areas. The population was 2,706 at the 2020 census.

Van Zandt County is a northeast Texas county approximately 50 miles east of Dallas. It is traversed by Interstate Highway 20, U.S. Highway 80, State Highways 64, 198, 243, 110, and 19 and numerous farm-to-market and access roads. The economy is largely based on agribusiness, tourism, oil and gas, and light manufacturing. Other minerals found in the County include salt, iron ore and clays. Grand Saline, the County's third largest city, is known as the “salt capital of Texas” because of its extensive salt mines and Salt Palace museum built of salt bricks. Principal crops include nursery crops, hay, sweet potatoes, vegetables, beef cattle, and dairy products. The 2000 census for the county was 59,541, an increase of 13.24% over the 2010 census of 52,579.

The City of Canton (located 14 miles from the City) is the county seat and a major retail center for Van Zandt County. Located adjacent to Interstate Highway 20, 61 miles east of Dallas, it is the home of First Monday Trades Days, an outdoor flea market covering over 100 acres and drawing 100,000 to 300,000 visitors a month. It is one of the nation's largest, best-known and interesting flea markets. Other areas of interest in the County include Purtis Creek State Park, Lake Tawakoni and Heritage Park.

MAJOR EMPLOYEES:

Major Businesses	Type of Business	Number of Employees
Van ISD	Schools	327
Love's	Travel Center	160
Sky Ranch	Summer Camp	150
Roco Drilling	Oil and Gas	80
Brookshire's	Grocery Store	53
Van Healthcare Center	Healthcare	45
Soulman's BBQ	Restaurant	41
Chevron	Oil and Gas	37
Farmhouse Restaurant	Restaurant	35
Sonic Drive-In	Restaurant	32

EDUCATION . . . The City is served by the Van Independent School District. There is one elementary school (grades PK-1), one intermediate school (grades 2-3), one middle school (grades 4-6) , one junior high school (grades 7-8) and one high school (grades 9-12). There were approximately 2,300 students enrolled in the District in the 2021/22 school year.

Higher education needs of the area can be met at Tyler Junior College, the University of Texas at Tyler, Jarvis Christian College, Texas A&M University at Commerce, LeTourneau University in Longview and Kilgore Junior College, all within a 75-mile radius of the City.

EMPLOYMENT

Employment statistics for Van Zandt County are as follows:

	Average Annual Employment				
	2022(1)	2021	2020	2019	2018
Van Zandt County					
Civilian Labor Force	25,995	26,780	25,874	25,817	25,508
Total Employment	24,845	25,515	24,284	24,975	24,606
Unemployment	1,150	1,265	1,590	842	902
Percent Unemployment	4.4%	4.7%	6.1%	3.3%	3.5%

(1) Averages as of May 2022.
Source: Texas Employment Commission, Austin, Texas.

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<u>APPENDIX B</u>

EXCERPTS FROM THE

CITY OF VAN, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the City of Van, 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.

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Mike Ward Accounting & Financial Consulting, PLLC
Mike Ward, CPA
266 RCR 1397
Point, Texas 75472
(903) 269-6211
mward@mikewardcpa.com

INDEPENDENT AUDITOR'S REPORT

Mayor and City Council
City of Van, Texas
113 West Main Street
Van, Texas 75790

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

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

Auditor's Responsibility
My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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, I express no such opinion. An audit also includes assessing 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion
In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented

component unit, each major fund, and the aggregate remaining fund information of the City of Van, Texas as of September 30, 2021, and the respective changes in financial position, where applicable, and cash flows, thereof, and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I 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 my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Information

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Respectfully Submitted,

Mike Ward Accounting + Financial Consulting, PLLC

Mike Ward Accounting & Financial Consulting, PLLC

Point, Texas
May 18, 2022

As management of the City of Van ("City"), we offer readers of the City of Van's financial statements this narrative overview and analysis of the financial activities of the City of Van for the fiscal year ended September 30, 2021. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

Financial Highlights

- The assets of the City of Van exceeded its liabilities at the close of the fiscal year by $6,450,826 (net position). Of this amount, the portion that may be used to meet the City's on-going obligations to citizens and creditors is $974,065, or 15% of total net position. $4,993,857, or 78%, represents the City's investment in capital assets, less any related outstanding debt used to acquire those assets. $482,904, or 7%, is restricted for debt obligations, municipal court use, fire department and hotel funds.

- The City's total net position increased by $490,992 due to increases in general governmental revenue and a smaller increase in operating expenditures during the fiscal year.

- As of the close of the current fiscal year, the City of Van's governmental funds reported combined ending fund balances of $1,619,787, an increase of $531,572, in comparison with the prior year. Approximately 70% of this total amount, or $1,135,882, is available for spending at the City's discretion (unassigned fund balance).

- At the close of the current fiscal year, unassigned fund balance of $1,135,882 was 30% percent of total General Fund expenditures for the fiscal year.

- The City of Van's total long-term debt increased by $15,560, or .2%, during the current fiscal year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Van's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Van.

Basic Financial Statements

The first two statements (pages 15-18) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (pages 19-25) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

The next section of the basic financial statements are the **notes** (pages 26-47). The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **required supplemental information** (pages 49-52) is provided to show details about the City's pension plan.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to financial statements of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

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

The statement of activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). Both the statement of net position and the statement of activities are prepared utilizing the accrual basis of accounting.

The government-wide statements are divided into three categories: 1) governmental activities; 2) business-type activities; and 3) component unit. The governmental activities include most of the City's basic services such as public safety, parks and recreation, and general administration. Property taxes, sales tax and state and federal grant funds finance most of these activities. The business-type activities are those that the City charges customers to provide. These include the utility services offered by the City of Van. The final category is the component unit. The City has one component unit: Van Economic Development Corporation ("EDC").

Fund Financial Statements

The fund financial statements provide a more detailed look at the City's most significant activities. A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of Van, like all other governmental entities in Texas, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of the City of Van can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what funds are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* which provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

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 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Van adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges. Budgetary information required by the General Statutes can also be found in this part of the statements. The Governmental Fund financial statements can be found on pages 18-21 of this report.

Proprietary Funds – The City of Van has one type of proprietary fund which is the Water & Sewer Fund. The City charges customers for the services it provides, whether to outside customers or to other units within the City. These services are generally reported in proprietary funds. Proprietary Funds are reported in the same way that all activities are reported in the statement of net position and the statement of activities. Proprietary Funds provide the same type of information as the government-wide financial statements, only in more detail. The basic proprietary fund financial statements can be found on pages 24-26 of this report.

Notes to the 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 are on pages 26-47 of this report.

Required Supplementary Information – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Van's progress in funding its obligation to provide pension benefits to its employees. This information is found on page 49-52.

Supplementary Information – The combining statements referred to earlier in connection with the non-major governmental funds are presented following the required supplementary information on pensions. Combining statements and individual fund statements can be found on pages 55-56.

Net Position

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2021	2020	2021	2020	2021	2020
Current and other assets	$ 1,763,304	$ 1,228,126	$ 389,821	$ 2,624,167	$ 2,153,125	$ 3,852,293
Capital assets	3,570,848	2,215,316	9,049,683	8,178,305	12,620,531	10,393,621
Total assets	**5,334,152**	**3,443,442**	**9,439,504**	**10,802,472**	**14,773,656**	**14,245,914**
Deferred outflows - pension	122,929	147,583	63,418	76,029	186,347	223,612
Long-term liabilities outstanding	594,167	338,589	7,185,387	7,413,745	7,779,554	7,752,334
Other liabilities	115,056	111,450	351,856	356,211	466,913	467,661
Total liabilities	**709,223**	**450,039**	**7,537,243**	**7,769,956**	**8,246,467**	**8,219,995**
Deferred inflows - pension	173,388	191,200	89,322	98,497	262,710	289,697
Net position:						
Net investment in capital assets	2,917,745	1,879,154	2,076,112	3,367,877	4,993,857	5,247,031
Restricted	481,121	344,782	1,783	1,444	482,904	346,226
Unrestricted	1,175,604	725,850	(201,538)	(359,273)	974,065	366,577
Total net position	**$ 4,574,470**	**$ 2,949,786**	**$ 1,876,357**	**$ 3,010,048**	**$ 6,450,826**	**$ 5,959,834**

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets of the City exceeded liabilities by $6,450,826 as of September 30, 2021. The City's net position increased by $490,992, excluding prior period adjustments, for the fiscal year ended September 30, 2021.

Net investment in capital assets:
The largest portion, $4,993,857, or 77%, reflects the City's investment in capital assets (e.g. land, buildings, machinery, and equipment) less any related debt still outstanding that was issued to acquire those items. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities.

Restricted net position:
Restricted net position of $482,904 represents 7% of total net position that is subject to external restrictions on how they may be used, or by enabling legislation. The restricted net position is comprised of $481,121, or 100%.

Unrestricted net position:
Unrestricted net position in the amount of $974,065, or 15%, is available to fund the City programs to citizens and creditors.

Changes in Net Position

	Governmental Activities		Business Activities		Total	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
REVENUE:						
Program revenues:						
Charge for services	$ 652,687	$ 474,618	$ 1,209,391	$ 1,193,174	$ 1,862,078	$ 1,667,792
Grants and contributions	204,403	172,751	339,591	-	543,994	172,751
General revenues:						
Property taxes including P&I	646,641	619,663	234,312	202,366	880,952	822,029
Franchise taxes	120,810	107,063	-	-	120,810	107,063
Hotel/motel taxes	136,773	117,640	-	-	136,773	117,640
Sales tax collected	735,006	705,486	-	-	735,006	705,486
Investment income	6,454	17,366	10,720	25,286	17,174	42,652
Gain (loss on sales of capital assets)	-	-	-	-	-	-
Miscellaneous revenue	155,829	41,530	236,329	111,035	392,158	152,565
Total Revenues	**2,658,604**	**2,256,117**	**2,030,342**	**1,531,861**	**4,688,946**	**3,787,978**
EXPENSES:						
Program expenses:						
General government	538,111	550,051	-	-	538,111	550,051
Public safety	882,961	833,942	-	-	882,961	833,942
Public works	89,842	213,495	-	-	89,842	213,495
Public services & operations	683,229	541,872	-	-	683,229	541,872
Parks and recreation	181,150	140,061	-	-	181,150	140,061
Water and sewer	-	-	1,822,660	1,439,381	1,822,660	1,439,381
Total Expenses	**2,375,293**	**2,279,421**	**1,822,660**	**1,439,381**	**4,197,953**	**3,718,802**
Increase (decrease) in net position before transfers	283,310	(23,304)	207,682	92,480	490,992	69,176
Transfers	1,341,373	-	(1,341,373)	-	-	-
Increase in net position	1,624,684	(23,304)	(1,133,691)	92,480	490,992	69,176
Net position, October 1	2,949,786	2,973,090	3,010,048	2,917,568	5,959,834	5,890,658
Prior period adjustments	-	-	-	-	-	-
Net position, September 30	**$4,574,470**	**$2,949,786**	**$ 1,876,357**	**$ 3,010,048**	**6,450,826**	**$ 5,959,834**
	-					

The governmental-type activities decreased the City's net position by $1,624,684, which results in a -(55.1%) decrease in net position over the prior year.

The business-type activities increased the City's net position by ($1,133,691), excluding prior period adjustments, which in a -38% increase in net assets over the prior year.

Financial Analysis of the City's Funds

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

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

At September 30, 2021, The City governmental funds reported total fund balance of $1,619,787 which is a 61% increase in comparison with the prior year's total ending fund balance. The components of total fund balance are as follows:

- Restricted fund balance of $481,121, or 29.7%, of total fund balance consists of amounts restricted by external laws or contractual obligations. These are as follows:
  - $41,381, or 3%, is for court use; and
  - $431,667, or 27%, is for tourism.
  - $8,073, or .5%, is for fire department expenditures.

- Assigned fund balance of $2,783, or .2%, of total fund balance consists of the following:
  - $2,783, or 100.% is for public safety;

- Unassigned fund balance of $1,135,882, or 70.1%, of total fund balance, represents residual available fund balance that has not been restricted, committed, or assigned by management, City Council, or outside third parties or entities.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the General Fund was $1,135,882. As a measure of the General Fund's liquidity, it may be useful to compare the unassigned fund balance to total fund expenditures. Unassigned fund balance represents 30% of total General Fund expenditures.

General Fund Budgetary Highlights: During the fiscal year, the City did not amend the budget. If they had, generally, budget amendments fall into one of three categories: (1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; (2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and (3) increases in appropriations that become necessary to maintain services.

Revenues were slightly more than the budgeted amounts mainly in the areas of sales tax collections and charges for services. Expenditures were significantly more than budgeted in General Government, Public Works and Parks and Recreation.

Proprietary Funds - The proprietary funds provide the same type of information found in the government-wide statements, but in more detail. Unrestricted net position of the Utility Fund at the end of the fiscal year amounted to ($201,538). $2,076,112 was invested in capital assets less related debt, and $1,783 was restricted for debt service.

Capital Assets - The City of Van's investment in capital assets for its governmental and business-type activities as of September 30, 2021 totals $12,384,254 (net of accumulated depreciation). This investment in capital assets include buildings, roads and bridges, land, machinery and equipment.

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

- Water storage and other utility infrastructure improvements
- Park improvements
- Public Works and Utility Fund equipment
- General government improvements-City Hall relocation

Capital Assets
As of September 30, 2021
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Totals	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Land	$ 18,640	$ 18,640	$ -	$ -	$ 18,640	$ 18,640
Buildings	458,128	402,215	71,538	32,158	529,666	434,373
Infrastructure	2,503,704	1,220,576	8,757,744	7,651,162	11,261,447	8,871,738
Machinery & Equipment	434,434	487,001	140,067	128,378	574,500	615,379
Construction in Progress	-	-	-	321,849	-	321,849
Total	**$ 3,414,905**	**$ 2,128,432**	**$ 8,969,348**	**$ 8,133,547**	**$12,384,254**	**$10,261,979**

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

Long-term Obligations - As of September 30, 2021, the City had total long-term obligations of $7,622,702.

Long-Term Obligations
As of September 30, 2021

	Governmental Activities		Business-type Activities		Totals	
	2021	**2020**	**2021**	**2020**	**2021**	**2020**
Revenue Bonds (backed by tax revenues and net water/sewer revenues)	$ -	$ -	$ 7,107,375	$ 7,344,165	$ 7,107,375	$ 7,344,165
Capital Leases	11,784	23,121	18,166	13,698	29,950	36,819
Notes Payable	485,376	226,158	-	-	485,376	226,158
Total	**$ 497,160**	**$ 249,279**	**$ 7,125,541**	**$ 7,357,863**	**$ 7,622,702**	**$ 7,607,142**

The City of Van's long-term debt increased by $15,560, or .2%, during the current fiscal year. More detailed information about the City's long-term obligations is presented in Note G to these financial statements.

BASIC FINANCIAL STATEMENTS

CITY OF VAN, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2021

	Primary Government			
	Governmental Activities	**Business-type Activities**	**Total**	**Component Unit**
ASSETS				
Cash and cash equivalents	$ 1,019,913	$ -	$ 1,019,913	$ 603,536
Receivables (net of allowance for uncollectible)	211,479	115,350	326,828	42,838
Restricted assets:				
Cash and cash equivalents	531,912	234,088	766,000	-
Inventory	-	40,384	40,384	-
Net pension asset	155,943	80,335	236,278	
Non-depreciable capital assets				
Land	18,640	-	18,640	19,193
Depreciable capital assets (net):				
Buildings	458,128	71,538	529,666	184,688
Infrastructure	2,503,704	8,757,744	11,261,447	-
Machinery & equipment	434,434	140,067	574,500	80
Total Assets	**5,334,152**	**9,439,504**	**14,773,656**	**850,335**
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflows from pension	122,929	63,418	186,347	-
LIABILITIES				
Accounts payable	754	22,684	23,438	20,866
Cash and cash equivalents (Deficit)	-	133,737	133,737	-
Customer deposits	-	141,001	141,001	-
Other liabilities	114,302	-	114,302	-
Accrued interest payable	-	54,435	54,435	-
Noncurrent Liabilities:				
Due within one year:				
Capital Leases	11,784	18,166	29,950	-
Note payable	123,568	-	123,568	67,252
Bonds payable	-	225,000	225,000	-
Due in more than one year:				
Net pension liability	-	-	-	-
Net OPEB liability	58,452	30,111	88,563	-
Compensated absences	38,555	29,734	68,289	-
Note payable	361,808	-	361,808	457,381
Capital leases	-	-	-	-
Bonds payable	-	6,535,000	6,535,000	-
Bond premium	-	347,375	347,375	-
Total Liabilities	**709,223**	**7,537,243**	**8,246,467**	**545,499**
DEFERRED INFLOW OF RESOURCES				
Deferred inflows from pension	173,388	89,322	262,710	-
NET POSITION				
Net investment in capital assets	2,917,745	2,076,112	4,993,857	-
Restricted for:				
Municipal	41,381	-	41,381	-
Hotel	431,667	-	431,667	-
Debt service	-	1,783	1,783	-
Police	-	-	-	-
Fire department	8,073	-	8,073	-
Unrestricted	1,175,604	(201,538)	974,065	304,836
Total Net Position	**$ 4,574,470**	**$ 1,876,357**	**$ 6,450,826**	**$ 304,836**

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

		Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Function/Program Activities				
Primary Government				
Governmental activities:				
General government	$ 526,522	-	$ 202,545	$ -
Public safety	882,961	205,501	-	1,859
Public services and operations	683,229	425,470	-	-
Parks and recreation	181,150	-	-	-
Public works	89,842	21,717	-	-
Interest on long-term debt	11,589	-	-	-
Total governmental activities	2,375,293	652,687	202,545	1,859
Business-type activities:				
Water and sewer	1,822,660	1,209,391	339,591	-
Total business-type activities	1,822,660	1,209,391	339,591	-
Total primary government	4,197,953	1,862,078	542,135	1,859
Component unit:				
Economic Development Corporation	89,930	-	-	-
Total component unit	$ 89,930	$ -	$ -	$ -

General revenues:
Property taxes
Sales taxes
Franchise taxes
Investment income
Hotel/Motel tax
Miscellaneous revenue
Transfers
Total general revenues and transfers
Change in net position
Net position - beginning
Net position - ending

The accompanying notes to the basic financial statements are an integral part of this financial statement.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business Activities	Total	Component Unit
$ (323,977)	$ -	$ (323,977)	$ -
(675,602)	-	(675,602)	-
(257,759)	-	(257,759)	-
(181,150)	-	(181,150)	-
(68,125)	-	(68,125)	-
(11,589)	-	(11,589)	-
(1,518,203)	-	(1,518,203)	-
-	(273,679)	(273,679)	-
-	(273,679)	(273,679)	-
(1,518,203)	(273,679)	(1,791,881)	-
-	-	-	(89,930)
$ -	$ -	$ -	$ (89,930)
$ 646,641	$ 234,312	$ 880,952	$ -
735,006	-	735,006	244,430
120,810	-	120,810	-
6,454	10,720	17,174	8,454
136,773	-	136,773	-
155,829	236,329	392,158	19,517
1,341,373	(1,341,373)	-	-
3,142,887	(860,013)	2,282,874	272,400
1,624,684	(1,133,691)	490,992	182,470
2,949,786	3,010,048	5,959,834	122,365
$ 4,574,470	$ 1,876,357	$ 6,450,826	$ 304,836

The accompanying notes to the basic financial statements are an integral part of this financial statement.

CITY OF VAN, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2021

	General Fund	Other Governmental Funds	Total
ASSETS			
Cash and cash equivalents	$ 1,017,471	$ 2,442	$ 1,019,913
Receivables (net of allowance for uncollectible)	210,418	1,061	211,479
Cash and cash equivalents-restricted	51,510	480,402	531,912
Total Assets	1,279,399	483,905	1,763,304
LIABILITIES			
Accounts payable	-	-	-
Other liabilities	114,302	-	114,302
Total Liabilities	114,302	-	114,302
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues-property taxes	29,215	-	29,215
Total Deferred Inflows of Resources	29,215	-	29,215
FUND BALANCES			
Restricted for:			
Municipal court	-	41,381	41,381
Hotel	-	431,667	431,667
Fire	-	8,073	8,073
Assigned:			
Police	-	342	342
Parks		-	-
Library	-	-	-
Capital improvements	-	-	-
Fire	-	2,442	2,442
Unassigned	1,135,882	-	1,135,882
Total Fund Balances	1,135,882	483,905	1,619,787
Total Liabilities, Deferred Inflows of Resources and Fund Balances	$ 1,279,399	$ 483,905	$ 1,763,304

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

Total fund balances - governmental funds balance sheet	1,619,787
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,325,709
Accumulated depreciation is not included in the governmental fund financial statements	(3,910,805)
Deferred inflow/outflow of resources for pension are not reported in the fund financial statements.	(50,459)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore are not reported in the funds.	(497,160)
Net pension asset included in total assets is not available to pay current expenditures and, therefore, is not reported in the fund financial statements.	155,943
Net OPEB liability included in total liabilities is not available to pay current expenditures and, therefore, is not reported in the fund financial statements.	(58,452)
Accrued liabilities for compensated absences are not reflected in the fund financial statements	(38,555)
Revenues earned but not available at year-end are not recognized as revenue in the fund financial statements.	28,463
Net position of governmental activities - statement of net position	4,574,470

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUE			
Property taxes including P&I	$ 646,641	$ -	$ 646,641
Hotel/motel taxes	-	136,773	136,773
Franchise fees	120,810	-	120,810
Fines and forfeitures	201,621	3,880	205,501
Sales tax collected	735,006	-	735,006
Licenses and permits	20,604	-	20,604
Charge for services	415,370	11,212	426,582
Grant proceeds	1,859	-	1,859
Donations	74,945	-	74,945
Intergovernmental	-	-	-
Miscellaneous	151,163	4,666	155,829
Total Revenues	2,368,018	156,532	2,524,550
EXPENDITURES			
Current operating:			
General government	470,287	17,000	487,287
Public safety	855,727	-	855,727
Public works	41,327	-	41,327
Public services and operations	516,767	6,149	522,916
Parks and recreation	152,076	-	152,076
Library	65,656	-	65,656
Main Street	-	-	-
Debt service:			
Principal paid	74,806	-	74,806
Interest and fiscal agent fees	11,589	-	11,589
Capital outlay:			
General government	98,977	-	98,977
Public safety	7,759	-	7,759
Public works	673,184	-	673,184
Parks and recreation	797,216	-	797,216
Total Expenditures	3,765,372	23,149	3,788,521
Excess (deficiency) of revenues over (under) expenditures	(1,397,354)	133,383	(1,263,971)
Other Revenues and Financing Sources (uses)			
Debt proceeds	320,115	-	320,115
US Government reimbursement	127,600	-	127,600
Investment income	1,448	5,006	6,454
Intergovernmental	-	-	-
Transfers	1,341,373	-	1,341,373
Total Other Financing Sources (uses)	1,790,536	5,006	1,795,543
Net Change in Fund Balances	393,182	138,389	531,572
Fund Balances/Equity, October 1	742,700	345,515	1,088,215
Fund Balances/Equity, September 30	$ 1,135,882	$ 483,905	$ 1,619,787

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

Net change in fund balances - total governmental funds	$ 531,572
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are recognized as revenue then allocated over their estimated useful lives and reported as depreciation expense.	1,577,136
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position but they do not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the governmental funds.	(290,662)
Current year note proceeds are other finance sources in the fund financial statements but are shown as an increase in the government-wide liabilities section of the financial statements.	(320,115)
Current year long-term debt principal payments on contractual obligations and bonds payable are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements.	72,234
Changes in net pension liability are not shown in the fund financial statements.	54,519
Change in net position of governmental activities - statement of activities	$ 1,624,684

The accompanying notes to the basic financial statements are an integral part of this financial statement.

CITY OF VAN, TEXAS
STATEMENT OF FUND NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2021

	Water & Sewer
ASSETS	
Current assets:	
Cash and cash equivalents	$ -
Receivables (net of allow for uncollectibles)	115,350
Inventory	40,384
Total current assets	155,733
Noncurrent assets:	
Cash and cash equivalents-restricted	234,088
Net pension asset	80,335
Capital assets:	
Buildings	188,996
Infrastructure	14,676,180
Machinery & equipment	504,469
Construction in progress	-
Accumulated depreciation	(6,400,295)
Total capital assets (net of accumulated depreciation)	8,969,349
Total noncurrent assets	9,283,772
Total Assets	9,439,505
DEFERRED OUTFLOW OF RESOURCES	
Deferred outflows from pension	63,418
LIABILITIES	
Current liabilities:	
Accounts payable	22,685
Cash and cash equivalents (Deficit)	133,737
Payable from restricted assets:	
Customer deposits	141,001
Accrued interest payable	54,435
Capital leases	12,975
Bonds payable - current	285,000
Total current liabilities	649,833
Noncurrent liabilities:	
Net OPEB liability	30,111
Compensated absences	29,734
Capital leases	5,191
Bonds payable	6,475,000
Bond premiums	347,375
Total noncurrent liabilities	6,887,412
Total Liabilities	7,537,244
DEFERRED INFLOW OF RESOURCES	
Deferred inflows from pension	89,322
NET POSITION	
Net investment in capital assets	2,076,112
Restricted for:	
Debt service	1,783
Unrestricted	(201,538)
Total Net Position	$ 1,876,357
Total Liabilities and Net Position	$ 9,502,923

The accompanying notes to the basic financial statements are an integral part of this financial statement.

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

	Water & Sewer
OPERATING REVENUES:	
Property taxes including P&I	$ 234,312
Charges for sales and services:	
Service charges	1,445,720
Grant Revenue	339,591
Total Operating Revenues	2,019,622
OPERATING EXPENSES:	
Personnel services	601,478
Supplies and materials	183,837
Maintenance and repair	155,333
Contractual services	338,505
Depreciation	312,364
Total Operating Expenses	1,591,517
Operating Income (Loss)	428,105
NON-OPERATING REVENUES (EXPENSES):	
Investment income	10,720
Interest expense	(230,543)
Bond Issuance Costs	(600)
Total Non-Operating Revenues (Expenses)	(220,422)
Transfers	(1,341,373)
Change in Net Position	(1,133,691)
Net Position - beginning	3,010,048
Net Position - ending	$ 1,876,357

The accompanying notes to the basic financial statements are an integral part of this financial statement.

CITY OF VAN, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Water and Sewer
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	$1,231,499
Cash received from other sources	810,231
Cash paid to employees and suppliers	(1,477,642)
Net Cash Provided by Operating Activities	564,088
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Transfers to primary government	(1,341,373)
Net Cash Provided by Non-Capital Financing Activities	(1,341,373)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition or construction of capital assets	(1,148,165)
Interest expense	(230,543)
Principal payments	(252,858)
Bond proceeds	-
Bond issuance costs or amortization	19,931
Net Cash Used for Capital & Related Financing Activities	(1,611,635)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	10,720
Net Cash Provided by Investing Activities	10,720
Net Increase (Decrease) in Cash and Cash Equivalents	(2,378,200)
Cash and Cash Equivalents at Beginning of Year	2,478,550
Cash and Cash Equivalents at End of Year	$ 100,350
Reconciliation of Operating Income to Net Cash Provided by Operation Activities:	
Operating income (loss)	$ 428,105
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation	312,364
Change in assets and liabilities:	
Decrease (increase) in receivables	14,939
Increase (decrease) in accounts payable	(170,313)
Increase (decrease) in customer deposits	7,170
Increase (decrease) in other liabilities	0
Increase (decrease) in pension liability	(28,176)
Total adjustments	135,984
Net Cash Provided (Used) by Operating Activities	$ 564,088

The accompanying notes to the basic financial statements are an integral part of this financial statement.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Van, Texas ("City") was incorporated in 1946. The City operates under a Mayor-Council form of government and provides general administrative services and owns and operates the sewer infrastructure

The accounting and reporting policies of the City relating to the funds included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America ("GAAP"), applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board ("GASB") and the American Institute of Certified Public Accountants in the publication entitled *State and Local Governments-Audit and Accounting Guide.* The more significant policies of the City are described below:

1. Reporting Entity

The City is a municipal corporation governed by an elected mayor and five-member council and 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 financial reporting entity as defined by GASB in its Statement No. 14, "The Financial Reporting Entity", as amended by GASB No. 39 "Determining Whether Certain Organizations are Component Units", under GASB 14, component units are organizations for which the City is financially accountable and all other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Financial accountability exists if the City appoints a voting majority of an organization's governing board, and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the City. The City may be financially accountable for governmental organizations with a separately elected governing board, a governing board appointed by another government, or a jointly appointed board that is dependent on the City. The financial statements of the component units may be discretely presented in a separate column from the primary government or blended with the financial statements of the primary government. GASB Statement No. 39 added clarification to GASB 14 by including as component units entities which meet all three of the following requirements

1. The economic resources received or held by the separate organization are entirely for the direct benefit of the primary government, its component units, or its constituents.

2. The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization

3. The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to access, and is significant to the primary government

Based upon the application of these tests, the City of Van has one component unit

Discretely presented component unit. The Van Economic Development Corporation ("EDC") is the discretely presented component unit for the City. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City to the corporation. Adding the creation of the EDC to the resources currently available will increase the current ability to assist economic and community development within the community.

In addition, GASB Statement No. 61 considers an organization that does not meet the financial accountability criteria may be included as a component unit if management's professional judgment determines it to be necessary and misleading if omitted. This evaluation includes consideration of whether a financial benefit or burden exists in the relationship between the entities. Management has not identified any additional organizations that fit this criteria

2. Basis of Presentation

The basic financial statements are prepared in conformity with GASB Statement No. 34 which requires the government-wide financial statements to be prepared using the accrual basis of accounting and the economic resources measurement focus. Government-wide financial statements do not provide information by fund, but distinguish between the City's governmental activities and business-type activities on the statement of net position and statement of activities. Significantly, the City's statement of net position includes both noncurrent assets and noncurrent liabilities of the City. The government-wide statement of activities reflects depreciation expense on the City's capital assets, including infrastructure

In addition to the government-wide financial statements, the City has prepared fund financial statements, which use the modified accrual basis of accounting and the current financial resources measurement focus for the governmental funds. The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred

The City also presents Management's Discussion and Analysis which includes an analytical overview of the City's financial activities. In addition, a budgetary comparison statement is presented that compares the originally adopted and final amended General Fund budget with actual results for the current fiscal year

The City's basic financial statements include the accounts of all City operations. In evaluating how to define the City for financial reporting purposes, management has considered all entities for which the City is considered to be financially accountable. As required by GAAP, these financial statements present the City and it component unit, as entities for which the City is considered to be financially accountable. The discretely presented component unit has been reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the primary government. Governmental activities, which normally are supported by taxes and inter-governmental revenues, are reported separately from business-type activities, which rely on fees and charges for support. Additionally, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (Police, Public Works, etc.) or program are offset by program revenues. Direct expenses are those that are clearly identifiable with specific functions or programs. Program revenues include: a) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program, b) grants and contributions that are restricted to meeting the operational requirements of a particular function or program, or c) grants and contributions that are restricted to meeting the capital requirements of a particular function or program. Taxes and other items not properly included among program revenues are reported instead as general revenues. Internally dedicated resources are also reported as general revenues rather than as program revenues

The net cost (by function or business-type activity) is normally covered by general revenue (property and sales taxes, franchise taxes, and interest income).

Separate fund financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds, are reported in separate columns in the fund financial statements. The major governmental fund is the general fund. GASB 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

The government-wide focus is on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and proprietary categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information

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

3. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

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

Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due and payable shortly after year end as required by GASB Interpretation No. 6

Ad valorem taxes, franchise, and sales tax revenues recorded in the General Fund and Proprietary Fund are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is not measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. Intergovernmental revenues are recognized when all eligibility requirements have been met

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

Governmental funds are those through which most governmental functions of the City are financed. The acquisition, use and balances of the City's expendable financial resources and the related liabilities (except those accounted for in proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of changes in financial position, rather than upon net income determination. The following is a description of the major Governmental Fund of the City:

The ***General Fund*** is the operating fund of the City. This fund is used to account for all financial resources not accounted for in other funds. All general tax revenues and other receipts that are not restricted by law or contractual agreement to some other fund are accounted for in this fund. General operating expenditures, fixed charges, and capital improvement costs that are not paid through other funds are paid from the General Fund

Proprietary Funds are accounted for using an economic resources measurement focus. The accounting objectives are a determination of net income, financial position, and changes in cash flows. All assets and liabilities associated with a proprietary fund's activities are included on its statement of net position

The proprietary funds are financed and operated in a manner similar to private business enterprises. The costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis are financed or recovered primarily through user charges. Periodic determination of revenues earned, expenses incurred, or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City has one major proprietary fund:

The ***Water and Sewer Fund*** is used to account for the operations of the water and wastewater system. Activities of this fund include administration, operation and maintenance of the water and sewer system and billing and collection activities. This fund also accounts for the accumulation of resources for, and the payment of long-term debt principal and interest for bonds and contractual obligations when due throughout the year. All costs are financed through charges made to utility customers with rates reviewed regularly and adjusted if necessary to ensure financial integrity of the Fund

a. Cash and Cash Equivalents

Cash for all funds, excluding the City's payroll account, certain special revenue accounts, and law enforcement bank accounts, are pooled into a common interest-bearing bank account in order to maximize operating efficiencies. Each fund whose money is deposited in the pooled cash has equity therein, and interest earned on these funds is allocated based upon relative equity at each month end

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

The City may invest in certificates of deposit, authorized investment pools and funds, U.S. Government Securities, repurchase agreements, money market mutual funds, and commercial paper

4. Financial Statement Amounts

b. Receivable and Payable Balances

Trade and property tax receivables are shown net of an allowance for uncollectible

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid obscuring of significant components by aggregation.

c. Prepaid Items

Prepaid balances are for payments made by the City for which benefits extend beyond the current fiscal period, and the reserve for prepaid items has been recognized to signify that a portion of fund balance is not available for other subsequent expenditures. Prepaid items are recorded using the consumption method

d. Interfund Receivables and Payables

Short-term advances between funds are accounted for in the appropriate interfund receivable and payable accounts. The City did not have any interfund balances at the end of the current fiscal period

Legally authorized transfers are treated as transfers and are included in the results of operations of both governmental and proprietary funds.

e. Restricted Assets

Assets are reported as restricted when limitations on their use change the nature or normal understanding of the availability of the asset. Such constraints are either externally imposed by creditors, contributors, grantors, or laws of other governments, or are imposed by law through constitutional provisions or enabling legislation. Restricted assets in the proprietary funds represent cash and cash equivalents and investments set aside for repayments of deposits to utility customers and various bond covenants.

f. Capital Assets

Capital assets, which include land, buildings, equipment, and improvements, purchased or acquired, are reported in the applicable governmental or business-like activities columns in the government-wide financial statements and proprietary fund types. The City defines capital assets as assets with an initial individual cost of more than $2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if historical cost is not available. Contributed assets are recorded at fair market value as of the date donated. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Net interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets constructed. The City did not capitalize any interest during the current fiscal year

Management elected not to retroactively report infrastructure assets within the scope of GASB 34

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

Asset Class	Years
Infrastructure	30 - 40
Buildings	30 - 40
Building Improvements	10
Machinery and Vehicles	7 - 20

g. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. The separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditures) until then. The City only has one item that qualifies for reporting in this category. The City's pension plan contributions made from the measurement date of the pension plan to the current fiscal year end are deferred and will be recognized in the subsequent fiscal year end. Also, the difference between projected and actual investment earnings are amortized as a component of the pension expense over a five-year period beginning with the period in which the difference occurred.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has two items that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue* is reported in the governmental funds balance sheet. Deferred revenue from property taxes are shown as deferred inflow of resources. The amount is deferred and recognized as inflows of resources in the period that the amounts become available. As a component of implementing GASB Statement No. 68, a deferred inflow is recorded in the government-wide statement of net position and fund level financials for the proprietary statement of net position for the difference in projected and actual experience in the actuarial measurement of the total pension liability not recognized in the current year. The amount is deferred and amortized over a period of years determined by the Plan actuary. The differences are amortized over the average remaining service life of all participants in the respective pension plan and recorded as a component of pension expense beginning with the period in which they are incurred

h. Property Taxes

Property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property located in the City. Assessed value represents the appraisal value, less applicable exemptions authorized by the City Council. The Appraisal Board of Review establishes appraised value at 100% of estimated market value. A tax lien attaches to the property on January 1 of each year, to secure the payment of all taxes, penalties and interest ultimately imposed for the year on that property, whether or not the taxes are imposed in the year the lien attaches

Taxes are due October 1 (immediately following the levy date) and are delinquent after the following January 31st. Revenues are recognized as the related ad valorem taxes are collected. Additional delinquent property taxes estimated to be collectible within 60 days following the close of the fiscal year have been recognized as a revenue at fund level

In Texas, county-wide central appraisal districts are required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its market value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every five years, however, the City may, at its own expense, require annual reviews of appraisal values. The City may challenge appraised values established by the appraisal district through various appeals, and, if necessary, take legal action. Under this legislation, the City continues to set tax rates on City property.

i. Compensated absences

It is the City's policy to permit employees to accumulate earned but unused vacation, overtime not paid (comp time), and sick pay benefits. There is no liability for unpaid accumulated sick leave since the City's policy states that upon separation, an employee will not be paid for accumulated sick leave. All vacation and comp time is accrued at the close of the fiscal year end in the government-wide and proprietary fund financial statements

j. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Management compared this method to the effective interest method and found the difference to be immaterial. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are expensed in the year they are incurred

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

k. Pension Plan

In government-wide financial statements, retirement plans (pensions) are required to be recognized and disclosed using the accrual basis of accounting regardless of the amounts recognized as pension expenditures on the governmental fund statements, which use the modified accrual basis of accounting.

In general, the City recognized a net pension liability (asset), which represents the City's proportionate share of the excess of the total pension liability (asset) over the fiduciary net position of the pension reflected in the actuarial report provided by the Texas Municipal Retirement System ("TMRS"). The net pension liability (asset) is measured as of December 31, 2018. Changes in the net pension liability (asset) are recorded as pension expense or as deferred inflows of resource or deferred outflows of resources depending on the nature of the change. The changes in net pension liability (asset) that are recorded as deferred inflow of resources or deferred outflows of resources (that arise from changes in actuarial assumptions or other inputs and differences between expected or actual experience) will be amortized over the weighted average remaining service life of all participants and are recorded as a component of pension expense beginning with the period in which they are incurred.

For purposes of measuring the net pension liability and deferred inflows/outflows of resources relating to pension expense, information about the fiduciary net position have been determined on the same basis as they are reported by TMRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value

Projected earning on pension investments are recognized as components of pension expense. Difference between projected and actual investment earnings are reported as deferred inflows of resources or deferred outflow of resources and will be amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred. Each subsequent year will incorporate an additional closed five-year period of recognition.

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

m. Federal and State Grants
Grants and shared revenues are generally accounted for within the fund financed. Federal grants are reported in the General Fund.

n. Fund Equity
In the fund financial statements, governmental funds report fund balances as nonspendable, restricted, committed, assigned or unassigned based primarily on the extent to which the City is bound to honor constraints on how specific amounts can be spent.

- ***Nonspendable fund balance*** - amounts that cannot be spent because they are either (a) not spendable in form or (b) legally or contractually required to be maintained intact

- ***Restricted fund balance*** - amounts with constraints placed on their use that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (b) imposed by law through constitutional provisions or enabling legislation.

- ***Committed fund balance*** - amounts that can only be used for specific purposes determined by ordinance by the City Council and that remain binding unless removed in the same manner. The underlying action that imposed the limitation needs to occur no later then the close of the reporting period

- ***Assigned fund balance*** - amounts that are constrained by the City's *intent* to be used for specific purposes. The intent can be established by the City Council or by the City Administrator

- ***Unassigned fund balance*** - the residual classification for the City General Fund that includes amounts not contained in the other classifications.

The City Council establishes, modifies or rescinds fund balance commitments and assignments by passage of an ordinance or resolution. This is done through adoption of the budget and subsequent budget amendments that occur throughout the year. Committed funds will be used first followed by assigned funds

o. Fund Balance Flow Assumption

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

p. Comparative Data/Reclassification

Comparative total data for the current year to budget have been presented in the supplementary section of the financial statement in order to provide an understanding of budget to actual. Also, certain amounts presented in the prior year data may have been reclassified in order to be consistent with the current year's presentation

q. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers in and transfers out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

r. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates

s. Program Revenues

Certain revenues such as charges for services are included in program revenues.

t. Program Expenses

Certain indirect costs such as administrative costs are included in the program expense reported for individual functional activities.

B. COMPLIANCE AND ACCOUNTABILITY

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations

Violation	Action Taken
None reported	N/A

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

Fund Name	Deficit Amount
Utility Fund	(201,538)

3. Budgets and Budgetary Accounting
Annual budgets are adopted on a modified accrual basis. Annual appropriated budgets are legally adopted for the General Fund. All annual appropriations lapse at fiscal year end

The City follows these procedures in establishing the budgetary data reflected in the financial statements

Prior to September 1, the City Administrator prepares a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted to obtain taxpayer comments.

The budget is legally enacted by the City Council through passage of an ordinance prior to the beginning of the fiscal year to which it applies, which can be amended by the Council. Formal budgetary integration, using the modified accrual basis, is employed as a management control device during the year for the General Fund.

The level of control (the level at which expenditures may not exceed the budget) is the fund level. The City Administrator is authorized to approve a transfer of budgeted amounts within departments; however, any revisions that alter the total of any fund must be approved by the City Council.

C. DEPOSITS AND INVESTMENTS

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository banks' dollar amount of Federal Deposit Insurance Corporation ("FDIC")

Cash Deposits
At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $1,652,176 and the bank balance was $2,292,903. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC or by pledged collateral held by the City's agent bank in the City's name

Statement of Net Position:		
Primary Government		
Cash and Cash Equivalents	$	1,019,913
Restricted Assets-Cash and Cash Equivalents		766,000
Total Cash and Cash Equivalents	**$**	**1,785,913**
Governmental-Restricted Cash		
Municipal Court	$	41,381
Grant	$	1,500
Fire Department Relief		8,073
Drug Seizure		342
Park		50,010
Hotel/Motel Fund		430,606
Total	**$**	**531,912**
Business-type - Restricted Cash		
Construction Improvements	$	232,305
Debt Service Fund		1,783
Total	**$**	**234,088**

As of September 30, 2021, the utility fund held a deficit share, ($133,737), of the unrestricted pooled cash account balance.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports an establishment of appropriate policy. The City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies

Investment Accounting Policy
The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "non-participating" means that the investment value does not vary with market interest rate changes. Non-negotiable certificates of deposits are examples of nonparticipating interest-earning investment contracts.

Interest Rate Risk
Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to change in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 60 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio.

D. RECEIVABLES
Receivables as of year end for the City's individual major funds, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental	Proprietary	Total
Receivables:			
Taxes	$ 189,860	$ -	$ 189,860
Fees and Charges	37,549	116,411	153,960
Gross Receivables	227,409	116,411	343,820
Less: allowance for uncollectible	(15,930)	(1,061)	(16,991)
Net Total Receivables	**$ 211,479**	**$ 115,350**	**$ 326,829**

E. CAPITAL ASSETS

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

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Governmental Activities					
Capital assets, not being depreciated:					
Land	$ 18,640	$ -	$ -	$ -	$ 18,640
Construction In Progress	-	-	-	-	-
Total capital assets, not being depreciated	**18,640**	**-**	**-**	**-**	**18,640**
Capital assets, being depreciated:					
Buildings & Improvements	1,648,151	-	98,976	-	1,747,127
Infrastructure	1,576,753	-	1,354,973	-	2,931,726
Machinery & Equipment	2,505,028	-	123,186	-	2,628,214
Total capital assets being depreciated	**5,729,932**	**-**	**1,577,135**	**-**	**7,307,067**
Less accumulated depreciation for:					
Buildings & Improvements	(1,245,936)	-	(43,062)	-	(1,288,998)
Infrastructure	(356,177)	-	(71,846)	-	(428,023)
Machinery & Equipment	(2,018,027)	-	(175,754)		(2,193,781)
Total accumulated depreciation	**(3,620,140)**	**-**	**(290,662)**	**-**	**(3,910,802)**
Total capital assets being depreciated, net	**2,109,792**	**-**	**1,286,473**	**-**	**3,396,265**
Governmental activities capital assets, net	**$ 2,128,432**	**$ -**	**$ 1,286,473**	**$ -**	**$ 3,414,905**

	Beginning Balances	Transfers	Additions	Decreases	Ending Balances
Business-type Activities					
Capital assets, not being depreciated:					
Land	$ -	$ -	$ -	$ -	$ -
Construction in Progress	321,848	-	-	(321,848)	-
Total capital assets, not being depreciated	**321,848**	**-**	**-**	**(321,848)**	**-**
Capital assets, being depreciated:					
Buildings & Improvements	145,472	-	43,524	-	188,996
Infrastructure	13,286,091	-	1,390,089	-	14,676,180
Machinery & Equipment	468,065	-	36,404	-	504,469
Total capital assets being depreciated	**13,899,628**	**-**	**1,470,017**	**-**	**15,369,645**
Less accumulated depreciation for:					
Buildings & Improvements	(113,313)	-	(4,145)	-	(117,458)
Infrastructure	(5,634,928)	-	(283,508)	-	(5,918,436)
Machinery & Equipment	(339,689)	-	(24,713)	-	(364,402)
Total accumulated depreciation	**(6,087,930)**	**-**	**(312,366)**	**-**	**(6,400,296)**
Total capital assets being depreciated, net	**7,811,698**	**-**	**1,157,651**	**-**	**8,969,349**
Business-type activities capital assets, net	**$ 8,133,546**	**$ -**	**$ 1,157,651**	**$ (321,848)**	**$ 8,969,349**

E. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions/programs of the primary government as follows

Governmental Activities:	
General Government	$ 93,754
Public Safety	27,234
Public Works	45,943
Public Service	94,657
Parks and Recreation	29,074
Total depreciation expense - governmental activities	**$ 290,662**
Business-type Activities:	
Water Sewer	**$ 312,366**

F. CONSTRUCTION COMMITMENTS

During the 2021 fiscal year, the City spent resources relocating the City Hall to the Community Center, park improvements, street improvements, water system improvements, and purchasing various equipment.

G. LONG-TERM OBLIGATIONS

A summary of long-term debt transactions, including the current portion, for the year ended September 30, 2021, is as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Capital Leases	$ 23,121	-	(11,337)	11,784	11,784
Notes Payable	226,158	320,115	(60,898)	485,375	123,568
Total Debt Payable	249,279	320,115	(72,235)	497,159	135,352
Net OPEB Liability	50,756	7,696	-	58,452	-
Net Pension Liability (Asset)	(86,884)	-	(69,059)	(155,943)	-
Compensated Absences	38,555	34,700	(34,700)	38,555	-
Governmental Activities Long-term Obligations	**$ 251,706**	**$ 362,511**	**$ (175,994)**	**$ 438,223**	**$ 135,352**

	Beginning Balance	Addition	Reduction	Ending Balance	Due Within One Year
Business-type Activities					
Water & Sewer					
Bonds Payable	$ 6,980,000	$ -	$ (220,000)	6,760,000	$ 225,000
Plus: premium	364,165	-	(16,790)	347,375	-
Total Bonds Payable	7,344,165	-	(236,790)	7,107,375	225,000
Capital Leases	13,698	36,402	(31,934)	18,166	18,166
Net OPEB Liability	26,147	3,964	-	30,111	-
Net Pension Liability (Asset)	(44,759)	-	(35,576)	(80,335)	-
Compensated Absences	29,734	26,760	(26,760)	29,734	-
Business-type Activity Long-term Obligations	**$ 7,368,985**	**$ 67,126**	**$ (331,060)**	**$ 7,105,051**	**$ 243,166**

G. LONG-TERM OBLIGATIONS (continued)

Changes in Governmental Long-Term Debt - Notes Payable

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2020	Issued	Retired	Amounts Outstanding September 30 2021	Due Within One Year
2011 Firetruck	5.250%	$ 300,000	$ 146,317	$ -	$ (21,712)	$ 124,605	$ 22,851
2019 Police Tahoe's	3.750%	121,299	79,841	-	(39,186)	40,655	40,655
2021 PW Equipment	3.670%	115,427	-	115,427	-	115,427	21,452
2021 City Hall	2.927%	204,688	-	204,688	-	204,688	38,610
Total Notes Payable		**$ 741,414**	**$ 226,158**	**$ 320,115**	**$ (60,898)**	**$ 485,375**	**$ 123,568**

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	123,568	18,294	141,862
2023	86,031	13,652	99,683
2024	89,273	10,410	99,683
2025	92,645	7,038	99,683
2026	93,858	3,529	97,388
Total	**$ 485,375**	**$ 52,923**	**$ 538,298**

G. LONG-TERM OBLIGATIONS (Continued)

Changes in Governmental Long-Term Debt - Capital Leases

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2020	Issued	Retired	Amounts Outstanding September 30 2021	Due Within One Year
Bunker Gear	3.95%	$ 54,611	$ 23,121	$ -	$ (11,337)	$ 11,784	$ 11,784
Total Capital Leases		**$ 54,611**	**$ 23,121**	**$ -**	**$ (11,337)**	**$ 11,784**	**$ 11,784**

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	11,784	465	12,249
	$ 11,784	**$ 465**	**$ 12,249**

Changes in Business Type Long-Term Debt - Bonds Payable

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2020	Issued	Retired	Amounts Outstanding September 30 2021	Due Within One Year
2019 Series	3% to 5%	$ 4,840,000	$ 4,740,000	$ -	$ (115,000)	$ 4,625,000	$ 120,000
2017 Series	3% to 3.5%	2,500,000	2,240,000	-	(105,000)	2,135,000	105,000
Total Bonds Payable		**$ 7,340,000**	**$ 6,980,000**	**$ -**	**$ (220,000)**	**$ 6,760,000**	**$ 225,000**

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	225,000	237,213	462,213
2023	235,000	228,063	463,063
2024	245,000	218,513	463,513
2025	255,000	208,463	463,463
2026	270,000	198,013	468,013
2027 to 2031	1,510,000	814,975	2,324,975
2032 to 2036	1,815,000	508,863	2,323,863
2037 to 2041	1,385,000	240,825	1,625,825
Thereafter	820,000	49,647	869,647
Total	**$ 6,760,000**	**$ 2,704,575**	**$ 9,464,575**

Changes in Business Type Long-Term Debt - Capital Leases

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2020	Issued	Retired	Amounts Outstanding September 30 2021	Due Within One Year
John Deere	5.50%	$ 64,000	$ 13,698	$ -	$ (13,698)	$ -	$ -
F350 Truck	3.97%	36,402	-	36,402	(18,236)	18,166	18,166
Total Notes Payable		**$ 100,402**	**$ 13,698**	**$ 36,402**	**$ (31,934)**	**$ 18,166**	**$ 18,166**

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	$ 18,166	$ 507	$ 18,673
Total	**$ 18,166**	**$ 507**	**$ 18,673**

Changes in Component Unit Long-Term Debt - Notes Payable

Description	Interest Rate Payable	Amounts Original Issue	Amounts Outstanding September 30 2020	Issued	Retired	Amounts Outstanding September 30 2021	Due Within One Year
Sales Tax Note	3.97%	691,469	583,982	-	(59,350)	524,632	67,252
Total Notes Payable		**$ 691,469**	**$ 583,982**	**$ -**	**$ (59,350)**	**$ 524,632**	**$ 67,252**

Debt service requirements are as follows:

Year Ending September 30:	Principal	Interest	Total Requirements
2022	67,252	19,613	86,865
2023	69,971	16,894	86,865
2024	72,800	14,065	86,865
2025	75,743	11,122	86,865
2026	78,806	8,029	86,835
Thereafter	160,060	6,431	166,491
Total	**$ 524,632**	**$ 76,154**	**$ 600,786**

H. PENSION PLAN

1. Plan Description

The City provides pension benefits for all its eligible employees through a non-traditional, joint contributory, hybrid defined benefit 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 ("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 comprehensive annual financial report ("CAFR") that can be obtained at www.tmrs.com

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

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefits provisions are adopted by the City Council, within the options available in the statutes governing TMRS.

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

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

	Plan Year	
	2020	2019
Inactive employees or beneficiaries currently receiving benefits	12	12
Inactive employees entitled to but not yet receiving benefits	17	17
Active employees	25	20
	54	49

3. Contributions

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

Employees for the City were required to contribute 6.00% of their annual gross earnings during the fiscal year. Contribution rates for the City were 7.32% and 7.18% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the fiscal year ended September 30, 2021 were $80,773

4. Net Pension Liability

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

Actuarial assumptions:
The Total Pension Liability/(Asset) in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	2.75% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

H. PENSION PLAN (continued)

4. Net Pension Liability (continued)

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

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

The long-term expected rate of return in 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 assets class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, the actuary focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates for real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global equity	30.0%	5.30%
Core fixed income	10.0%	1.25%
Non-core fixed income	20.0%	4.14%
Real return	10.0%	3.85%
Real estate	10.0%	4.00%
Absolute return	10.0%	3.48%
Private equity	10.0%	7.75%
Total	**100.0%**	

H. PENSION PLAN

4. Net Pension Liability (continued)

Discount Rate

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

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	$ 2,685,106	$ 2,816,749	$ (131,643)
Changes from the year:			
Service cost	125,916		125,916
Interest	181,619		181,619
Change of benefit terms	-		-
Difference between expected and actual experience	(76,814)		(76,814)
Changes of assumptions	-		-
Contributions - employer	-	66,919	(66,919)
Contributions - employee	-	55,921	(55,921)
Net investment income	-	213,953	(213,953)
Benefit payments, including refunds of employee contributions	(114,829)	(114,829)	-
Administrative expense	-	(1,384)	1,384
Other changes	-	(53)	53
Net changes	115,892	220,527	(104,635)
Balance at 12/31/2020	**$ 2,800,998**	**$ 3,037,276**	**$ (236,278)**

Sensitivity of the net position liability to change in the discount rate

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 126,068	$ (236,278)	$ (536,607)

H. PENSION PLAN (continued)

5. Pension Expense and Deferred Outflow of Resources and Deferred Inflow of Resources Related to Pensions

For the year ended September 30, 2020, the City recognized pension expense of $62,518

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual economic experience	$ -	$ 77,054
Changes in actuarial assumptions	6,935	-
Differences between projected and actual investment earnings	-	81,033
Contributions subsequent to the measurement date of December 31, 2020	62,810	-
	$ 69,745	$ 158,087

$62,810 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the fiscal year ending September 30, 2021. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Net deferred outflow (inflow) of resources: December 31	
2021	$ (66,980)
2022	(25,602)
2023	(53,807)
2024	(4,763)
2025	-
Thereafter	-
	$ (151,152)

6. Group-term Life Insurance

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 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 a one-year term life insurance policy. 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.

Total OPEB Liability

The City of Van's total OPEB liability of $85,563 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

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

H. PENSION PLAN (Continued)

6. Group-term Life Insurance (Continued)

Inflation	2.50%
Salary increases	3.50% to 11.5% including inflation
Discount rate*	2.00%

* The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA index" rate as of December 31, 2019

Mortality rates - service retirees:

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Mortality rates - disabled retirees:

RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

Membership

Number of:	
-Inactive employees currently receiving benefits	10
-Inactive employees entitled to but not yet receiving benefits	4
-Active employees	25
Total	**39**

Changes in the Total OPEB Liability:

Total OPEB Liability - beginning of year	$	76,903
Changes for the year:		
Service costs		4,567
Interest on Total OPEB Liability		2,169
Changes in benefit terms		-
Differences between expected and actual experience		(6,232)
Changes in assumptions or other inputs		11,808
Benefit payments		(652)
Total OPEB Liability - end of year	**$**	**88,563**

H. PENSION PLAN

6. Group-term Life Insurance (Continued)

The following presents the Total OPEB Liability of the City of Van, Texas, as well as what the City's Total OPEB Liability would be if it were calculated using a discount rate that is 1-percentage-point lower 1.00 percent or 1-percentage-point higher 3.00% than the current discount rate.

	1% Decrease 1.00%	Current Discount 2.00	1% Increase 3.00%
Total OPEB Liability	$ 108,566	$ 88,563	$ 73,319

Deferred (Inflows)/Outflows of Resources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 6,904
Changes in assumptions and other inputs	15,833	-
Contributions made subsequent to measurement date		-
Total	$ 15,833	$ 6,904

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

	Net Deferred Outflows (Inflows) of Resources
2021	$ 2,746
2022	2,113
2023	2,908
2024	1,162
2025	-
Thereafter	-
Total	$ 8,929

I. HEALTH CARE COVERAGE

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan ("Plan"). The City paid 100% of the premium per pay period per employee and 0% of the cost for dependents. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All contributions were paid to Texas Municipal League Intergovernmental Benefits Pool. The Plan was authorized by article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The City also pays the premium for a $10,000 life insurance policy for each employee. Employees can, at their option, obtain coverage for, dental, vision and additional life insurance through the Plan. Employees pay 100% of the premiums for any such additional coverage.

The contract between the City and the other participants of the self-funded pool is renewable October 1 and the terms of coverage and premium cost are included in the contract provision.

Additional assessments cannot be made by the Plan during the year. Because of the terms of agreement with the Plan, no reserve for self-insurance has been established.

J. INSURANCE COVERAGE

In accordance with state statute, the City was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Municipal League, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding $125,000 and for aggregate loss. According to the latest actuarial opinion, dated October 1, 2019, the unfunded claim benefit obligation included no reported claims that were unpaid and no estimated claims incurred but not reported

K. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. The City had general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

L. LITIGATION

Currently, management is unaware of significant pending litigation against the city.

M. TRANSFERS

	Transfers Out	Transfers In	Totals
Governmental Funds	$ -	$ 1,341,373	$ 1,341,373
Business-type Funds	(1,341,373)	-	(1,341,373)
Total	**$ (1,341,373)**	**$ 1,341,373**	**$ -**

Transfers are used for 1) debt service obligations and 2) administrative fees.

N. SUBSEQUENT EVENTS

The City has evaluated all events or transactions that occurred after September 30, 2021 up through May 18, 2022, the date the financial statements were available to be issued. During this period, management noted no subsequent events requiring disclosure.

O. ECONOMIC DEVELOPMENT CORPORATION ("EDC")

In accordance with GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement 39, the EDC is a discretely presented component unit on the combined financial statements. The funding for the EDC occurs by the City transferring 1/4 of sales tax revenues collected by the City to the EDC. The EDC is managed by a board of directors composed entirely of persons appointed by the governing body of the City of Van, Texas. The purpose of the EDC is to promote economic development by funding public improvements, including but not limited to, public safety, streets, traffic control, water utilities drainage, parks and other projects, for the promotion and development of new and expanded business enterprises as set out in Article 5910.06, Section 4B of the Texas Revised Civil Statutes Development Corporation Act of 1979. There are no separate financial statements for the EDC.

P. ECONOMIC DEVELOPMENT CORPORATION ("EDC")

1. *Cash Deposits*

At September 30, 2021, the carrying amount of the EDC's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $603,536 and the bank balance was $571,759. The EDC's cash deposits at September 30, 2021 and during the year ended September 30, 2021 were entirely covered by FDIC or by pledged collateral held by the EDC's agent bank in the EDC's name

Statement of net position:	
Cash and cash equivalents	$ 603,536

2. *Receivables*

Receivables as of fiscal year-end for the EDC were $42,838 representing sales tax owed from the City. Receivables were collected after year-end; therefore, no allowance for uncollectible has been recorded

3. *Capital Assets*

Capital asset activity for the period ended September 30, 2020 was as follows

	Beginning Balances	Additions	Decreases	Ending Balances
EDC Activities				
Capital assets, not being depreciated				
Land	19,193	-	-	19,193
Total capital assets, not being depreciated	$ 19,193	$ -	$ -	$ 19,193
Capital assets, being depreciated:				
Buildings & Improvements	265,367	-	-	265,367
Machinery & Equipment	7,215	-	-	7,215
Total capital assets being depreciated	272,582	-	-	272,582
Less accumulated depreciation for:				
Buildings & Improvements	(70,445)	(10,234)	-	(80,679)
Machinery & Equipment	(6,230)	(905)	-	(7,135)
Total accumulated depreciation	(76,675)	(11,139)	-	(87,814)
Total capital assets, being depreciated, net	195,907	(11,139)	-	184,768
EDC activities capital assets, net	$ 215,100	$ (11,139)	$ -	$ 203,961

4. *Subsequent Events*

The EDC has evaluated all events or transactions that occurred after September 30, 2021 up through May 18, 2022, the date the financial statements were available to be issued. During this period, management noted no material subsequent events requiring disclosure.

APPENDIX C

FORM OF BOND COUNSEL’S OPINION

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[CLOSING DATE]

IN REGARD to the authorization and issuance of the "City of Van, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2022," dated August 15, 2022, in the principal amount of $_________ (the "Certificates"), we have examined into their issuance by the City of Van, Texas (the "City"), solely to express legal opinions as to the validity of the Certificates and the exclusion of the interest on the Certificates from gross income for federal income tax purposes, and for no other purpose. We have not been requested to investigate or verify, and we neither expressly nor by implication render herein any opinion concerning, the financial condition or capabilities of the City, the disclosure of any financial or statistical information or data pertaining to the City and used in the sale of the Certificates, or the sufficiency of the security for or the value or marketability of the Certificates.

THE CERTIFICATES are issued in fully registered form only and in denominations of $5,000 or any integral multiple thereof (within a maturity). The Certificates mature on August 15 in each of the years specified in the ordinance adopted by the City Council of the City authorizing the issuance of the Certificates (the "Ordinance"), unless redeemed prior to maturity in accordance with the terms stated on the Certificates. The Certificates accrue interest from the date, at the rates, and in the manner and interest is payable on the dates, all as provided in the Ordinance.

IN RENDERING THE OPINIONS herein we have examined and rely upon (i) original or certified copies of the proceedings of the City in connection with the issuance of the Certificates, including the Ordinance, (ii) certifications and opinions of officers of the City relating to the expected use and investment of proceeds of the sale of the Certificates and certain other funds of the City and to certain other facts within the knowledge and control of the City, and (iii) such other documentation, including an examination of the Certificate executed and delivered initially by the City (which we found to be in due form and properly executed), and such matters of law as we deem relevant to the matters discussed below. In such examinations, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies and the accuracy of the statements and information contained in such certificates.

BASED ON OUR EXAMINATIONS, IT IS OUR OPINION that, under the applicable laws of the United States of America and the State of Texas in force and effect on the date hereof:

1. The Certificates have been duly authorized by the City and, when issued in compliance with the provisions of the Ordinance, are valid, legally binding and enforceable obligations of the City, payable from an ad valorem tax levied, within the limits prescribed by law, upon all taxable property in the City, and are additionally payable from and secured by a pledge of the Net Revenues (as defined in the Ordinance) of the City's Waterworks and Sewer System in the manner and to the extent provided in the Ordinance, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar

laws affecting creditors' rights or the exercise of judicial discretion in accordance with the general principles of equity.

2. Pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), and existing regulations, published rulings, and court decisions thereunder, and assuming continuing compliance after the date hereof by the City with the provisions of the Ordinance relating to sections 141 through 150 of the Code, interest on the Certificates for federal income tax purposes (a) will be excludable from the gross income, as defined in section 61 of the Code, of the owners thereof, and (b) will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

OUR OPINIONS ARE BASED on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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

Form 500NY (5/90)

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company