

OFFICIAL STATEMENT

Dated January 26, 2023

Ratings:
S&P: "AA-" (underlying) /
"AA" (BAM Insured)
(see "OTHER INFORMATION -
Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, under existing law, interest on the Certificates is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.

THE CERTIFICATES WILL NOT BE DESIGNATED AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

\$8,170,000
CITY OF AUBREY, TEXAS
(Denton County)
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023

Dated Date: January 15, 2023

Due: February 15, as shown on page 2

Interest accrues from the Delivery Date (defined herein)

PAYMENT TERMS . . . Interest on the \$8,170,000 City of Aubrey, Texas, Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") will accrue from the date of initial delivery to the "Underwriters" identified below (the "Delivery Date", anticipated to be on or about February 23, 2023), and will be payable February 15 and August 15 of each year commencing August 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 New York, New York ("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" herein). The initial Paying Agent/Registrar is BOKF, NA, Dallas Texas (see "THE CERTIFICATES - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and constitute direct obligations of the City of Aubrey, Texas, (the "City"), payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, upon all taxable property within the City, and (ii) a pledge of the surplus net revenues of the City's Water and Wastewater System (the "System") in an amount limited to \$1,000, as provided in the ordinance authorizing the Certificates (the "Ordinance") (see "THE CERTIFICATES – Authority for Issuance of the Certificates").

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, engineering, developing, constructing, and improving City water and wastewater infrastructure and facilities, including additions to the City's water and wastewater system; (ii) professional services incurred in connection with items (i); and (iii) to pay the costs incurred in connection with the issuance of the Certificates.

CUSIP PREFIX: 050177
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

MUNICIPAL 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 Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" herein.



LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriters and subject to the approving opinion of the Attorney General of Texas and the opinion of Bracewell LLP, Bond Counsel, Dallas, Texas, (see Appendix C, "Form of Bond Counsel's Opinion"). Certain legal matters will be passed upon for the Underwriters by their Counsel, Norton Rose Fulbright US LLP.

DELIVERY . . . It is expected that the Certificates will be available for delivery through the facilities of DTC on February 23, 2023.

THE BAKER GROUP LP

FIDELITY CAPITAL MARKETS

MATURITY SCHEDULE

CUSIP Prefix: 050177⁽¹⁾

Amount	February 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾	Amount	February 15 Maturity	Interest Rate	Initial Yield	CUSIP Suffix ⁽¹⁾
\$ 60,000	2024	3.000%	3.000%	GJ7	\$ 70,000	2029	3.000%	3.000%	GP3
60,000	2025	3.000%	3.000%	GK4	****	****	****	****	****
65,000	2026	3.000%	3.000%	GL2	480,000	2037	4.000%	3.700% ⁽²⁾	GX6
65,000	2027	3.000%	3.000%	GM0	495,000	2038	4.000%	3.850% ⁽²⁾	GY4
70,000	2028	3.000%	3.000%	GN8	520,000	2039	4.000%	4.000%	GZ1

\$220,000 3.000% Term Certificates due February 15, 2032 at a Price of 99.221 to Yield 3.100% CUSIP No. ⁽¹⁾ GS7
 \$335,000 3.375% Term Certificates due February 15, 2036 at a Price of 97.682 to Yield 3.600% CUSIP No. ⁽¹⁾ GW8
 \$2,295,000 4.000% Term Certificates due February 15, 2043 at a Price of 98.108 to Yield 4.140% CUSIP No. ⁽¹⁾ HD9
 \$1,295,000 4.000% Term Certificates due February 15, 2045 at a Price of 97.709 to Yield 4.160% CUSIP No. ⁽¹⁾ HF4
 \$2,140,000 4.000% Term Certificates due February 15, 2048 at a Price of 96.025 to Yield 4.260% CUSIP No. ⁽¹⁾ HJ6

(Interest to accrue from the Delivery Date)

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- (2) Yield calculated based on the assumption that the Certificates denoted and sold at a premium will be redeemed on February 15, 2032, the first optional call date for such Certificates, at a redemption price of par, plus accrued interest to the redemption date.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES – Optional Redemption of the Certificates”).

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in each of the years 2031, 2036, 2043, 2045, and 2048 are also subject to mandatory sinking fund redemption as described herein (“THE CERTIFICATES – Mandatory Sinking Fund Redemption”).

EXTRAORDINARY OPTIONAL REDEMPTION . . . The City reserves the right and option to redeem Certificates before their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption Price of 100% of the principal amount of such Certificates, or portions thereof to be redeemed, plus accrued and unpaid interest to the date of redemption solely from cash on deposit with the City as a result of cash contributions made by developers within the City for utility infrastructure.

No dealer, broker, salesman or other person has been authorized by the City or the Underwriters 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 or the Underwriters. 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement: the Underwriters have reviewed this information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws, but the Underwriters do not guarantee the accuracy or completeness of this information.

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.

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

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

NONE OF THE CITY, THE UNDERWRITERS, OR THE FINANCIAL ADVISOR MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY, AS SUCH INFORMATION HAS BEEN PROVIDED BY THE DEPOSITORY TRUST COMPANY.

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.

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

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as 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.

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The cover page hereof, this page, the schedule and the appendices included herein and any addenda, supplement or amendment hereto, are part of this 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 Aubrey, Texas (the "City"), located in Denton County, is a home rule city and a political subdivision and municipal corporation of the State of Texas. The City operates under the Council/Manager form of government in which the Mayor and five Councilmembers are elected for staggered three-year terms. Policy making and supervisory functions are the responsibility of, and are vested in, the City Council. The Council delegates the responsibility of daily operations of the City to the City Manager who is the chief executive of the City. The City covers approximately 3.01 square miles (see "INTRODUCTION – Description of the City").
THE CERTIFICATES	The Certificates are issued at \$8,170,000 Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates"). The Certificates are issued as serial certificates maturing on February 15 of each of the years 2024 through 2029 and the years 2037 through 2039, and as Term Certificates maturing on February 15 in the years 2032, 2036, 2043, 2045 and 2048 unless redeemed in accordance with the provisions described herein (see "THE CERTIFICATES – Description of the Certificates" and "Mandatory Sinking Fund Redemption").
PAYMENT OF THE INTEREST	Interest on the Certificates accrues from the Delivery Date (anticipated to be February 23, 2023), and is payable February 15 and August 15 of each year, commencing August 15, 2023, until maturity or prior redemption (see "THE CERTIFICATES - Description of the Certificates").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the Constitution and general laws of the State, including particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance (the "Ordinance") approved by the City Council on January 26, 2023 (see "THE CERTIFICATES - Authority for Issuance of the Certificates").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, upon all taxable property located within the City, and (ii) a pledge of the net surplus revenues of the City's Water and Wastewater System (the "System") in an amount limited to \$1,000, as provided in the Ordinance (see "THE CERTIFICATES – Security and Source of Payment of the Certificates").
OPTIONAL REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2033, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE CERTIFICATES – Optional Redemption of the Certificates").
MANDATORY SINKING FUND REDEMPTION	The Certificates maturing on February 15 in each of the years 2031, 2036, 2043, 2045, and 2048 are also subject to mandatory sinking fund redemption as described herein ("THE CERTIFICATES – Mandatory Sinking Fund Redemption").
EXTRAORDINARY OPTIONAL REDEMPTION	The City reserves the right and option to redeem Certificates before their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption Price of 100% of the principal amount of such Certificates, or portions thereof to be redeemed, plus accrued and unpaid interest to the date of redemption solely from cash on deposit with the City as a result of cash contributions made by developers within the City for utility infrastructure.
TAX STATUS	In the opinion of Bond Counsel, under existing law, interest on the Certificates is (i) excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended, and (ii) not an item of tax preference for purposes of the alternative minimum tax on individuals. See "TAX MATTERS" herein, including information regarding potential alternative minimum tax consequences for corporations.
QUALIFIED TAX-EXEMPT CERTIFICATES	The City will NOT designate the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, engineering, developing, constructing, and improving City water and wastewater infrastructure and facilities, including additions to the City's water and wastewater system; and (ii) professional services incurred in

connection with items (i) and (iii) to pay the costs incurred in connection with the issuance of the Certificates.

RATINGS The Certificates have been rated "AA-" by Standard & Poor's ("S&P"), without regard to credit enhancement (see "Other Information - Rating"). The Certificates will be rated "AA" by S&P based on the insurance policy provided by Build America Mutual Assurance Company.

MUNICIPAL 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 Build America Mutual Assurance Company ("BAM"). See "BOND INSURANCE" and "BOND INSURANCE RISKS" herein.

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").

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

PAYING AGENT/REGISTRAR..... The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population ⁽¹⁾	Taxable Assessed Valuation ⁽²⁾	Taxable Assessed Valuation Per Capita	Net Tax Debt Outstanding at End of Year ⁽⁸⁾	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2019	3,931	\$ 253,166,008 ⁽³⁾	\$ 64,402	\$ 4,352,000	1.72%	\$ 1,107
2020	4,530	343,314,538 ⁽⁴⁾	75,787	4,828,000	1.41%	1,066
2021	5,006	429,564,589 ⁽⁵⁾	85,810	5,013,000	1.17%	1,001
2022	5,507	567,102,531 ⁽⁶⁾	102,978	14,739,000	2.60%	2,676
2023	7,580	801,077,367 ⁽⁷⁾	105,683	13,963,000 ⁽⁹⁾	1.74% ⁽⁹⁾	1,842 ⁽⁹⁾

(1) Source: City Staff.

(2) As reported by the Denton Central Appraisal District on City's annual State Property Tax Reports, subject to change during the ensuing year.

(3) Includes incremental tax value of approximately \$30,644,523 that is not available for the City's general use.

(4) Includes incremental tax value of approximately \$91,399,172 that is not available for the City's general use.

(5) Includes incremental tax value of approximately \$143,542,571 that is not available for the City's general use.

(6) Includes incremental tax value of approximately \$207,078,396 that is not available for the City's general use.

(7) Includes incremental tax value of approximately \$324,033,622 that is not available for the City's general use.

(8) Excludes Self-Supporting Debt (see "Table 10 - Computation of Self-Supporting Debt").

(9) Projected. Does not include the Certificates. The Certificates are expected to be 100% self-supported debt. See Tables 1, 8 and 10.

For additional information regarding the City, please contact:

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CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

<u>City Council</u>	<u>Term Expires</u>	<u>Occupation</u>
Chris Rich Mayor	May 2023	Senior Field Service Engineer
Jeff Perry Councilmember, Place 1	May 2024	Juvenile Probation Officer
Matt Jones Councilmember, Place 2	May 2024	Franchise Owner Operator
Erin Allen Councilmember, Place 3	May 2023	Regional VP, Enterprise Sales
Dewayne Brawner Councilmember, Place 4	May 2023	Director Hope Food Bank
Chuck Fikes Councilmember, Place 5	May 2024	Lead Project Coordinator

SELECTED ADMINISTRATIVE STAFF

<u>Name</u>	<u>Position</u>	<u>Length of Service to City</u>	<u>Total Governmental Service</u>
Charles Kreidler	City Manager	6 Months	31 Years
Jenny Huckabee	City Secretary	14 Years	14 Years
Mike English	Finance Director	1 Year	1 Year

CONSULTANTS AND ADVISORS

Auditors	Whitley Penn LLP Fort Worth, Texas
Bond Counsel	Bracewell LLP Dallas, Texas
Financial Advisor.....	Hilltop Securities Inc. Dallas, Texas

OFFICIAL STATEMENT
RELATING TO
\$8,170,000
CITY OF AUBREY, TEXAS
COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023
INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of the \$8,170,000 City of Aubrey, Texas Combination Tax and Revenue Certificates of Obligation, Series 2023 (the "Certificates") being offered herein. Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Certificates (the "Ordinance") which authorized the issuance of the Certificates, except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City of Aubrey, Texas (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. ("Hilltop Securities" or "Financial Advisor"), Dallas, Texas.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State of Texas (the "State") located in Denton County, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City operates under the Council/City Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is three years with the terms of Mayor and the Councilmembers expiring annually in staggered succession. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police, EMS and fire protection), streets, water and sanitary sewer utilities, library, public improvements, planning and zoning, and general administrative services. The City's current estimated population is 7,580. The City covers approximately 3.01 square miles. For more information regarding the City, see APPENDIX A – "General Information Regarding the City". The City held its home rule charter election in November 2022 to establish the City as a home rule city pursuant to Chapter 9 of the Texas Local Government Code, as amended. At the election, residents of the City voted to approve a home rule charter (the "City Charter"). Home rule charters are authorized by Article XI, Section 5, of the Texas Constitution. Under Texas law, cities operating pursuant to a home rule charter have additional authority pursuant to their adopted home rule charters.

The City's audited financial statements for the Fiscal Year ended September 30, 2021 (the "Financial Statements"), which are set forth as APPENDIX B, present information on the general financial condition of the City at the dates and for the periods described therein. The Financial Statements and other financial information of this Official Statement are not intended to imply that any other tax receipts, revenues or moneys of the City are pledged to pay the principal of or interest on the Certificates. As used herein, the term "Fiscal Year," unless otherwise indicated, means the City's Fiscal Year, which currently is the twelve-month period beginning on October 1 of a calendar year and ending on September 30 of the next succeeding calendar year. Each such period may be designated with the number of the calendar year in which such period ends.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the City's contractual obligations incurred in connection with (i) designing, engineering, developing, constructing, and improving City water and wastewater infrastructure and facilities, including additions to the City's water and wastewater system; and (ii) professional services incurred in connection with items (i) and (iii) to pay the costs incurred in connection with the issuance of the Certificates.

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

<u>Sources of Funds</u>	
Par Amount of Certificates	\$ 8,170,000.00
Net Original Issue Discount	<u>(151,139.95)</u>
Total Sources of Funds	\$ 8,018,860.05
 <u>Uses of Funds</u>	
Deposit to Project Fund	\$ 7,834,092.00
Cost of Issuance ⁽¹⁾	124,068.07
Underwriter's Discount	<u>60,699.98</u>
Total Uses of Funds	\$ 8,018,860.05

(1) Includes the Municipal Bond Insurance Premium.

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated January 15, 2023 (the "Dated Date") and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of their initial delivery to the Underwriters (the "Delivery Date", anticipated to be February 23, 2023), 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 August 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 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").

AUTHORITY FOR ISSUANCE OF THE CERTIFICATES . . . The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code, as amended, and the ordinance passed by the City Council of the City (the "Ordinance").

SECURITY AND SOURCE OF PAYMENT OF THE CERTIFICATES . . . The Certificates are payable from the proceeds of a continuing and direct annual ad valorem tax levied, within the limits prescribed by law, upon all taxable property located within the City and from a limited pledge of the surplus net revenues (as defined in the Ordinance) of the City's combined Water and Wastewater System (the "System") in amount limited to \$1,000 (as defined and identified in the Ordinance).

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$2.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.50 of the \$2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

OPTIONAL REDEMPTION OF THE CERTIFICATES . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on or after February 15, 2036, in whole or in part, in principal amounts of \$5,000, or any integral multiple thereof, on February 15, 2032, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

MANDATORY SINKING FUND REDEMPTION . . . The Certificates maturing on February 15 in the years 2032, 2036, 2043, 2045 and 2048 (collectively, the "Term Certificates") are subject to mandatory sinking fund redemption on the dates and in the principal amounts shown below at the price of par plus accrued interest to the date of redemption:

Term Certificates Maturing February 15, 2032		Term Certificates Maturing February 15, 2036		Term Certificates Maturing February 15, 2043	
Redemption Date	Principal Amount	Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2030	\$ 70,000	February 15, 2033	\$ 80,000	February 15, 2040	\$ 540,000
February 15, 2031	75,000	February 15, 2034	80,000	February 15, 2041	560,000
February 15, 2032 (maturity)	75,000	February 15, 2035	85,000	February 15, 2042	585,000
		February 15, 2036 (maturity)	90,000	February 15, 2043 (maturity)	610,000

Term Certificates Maturing February 15, 2045		Term Certificates Maturing February 15, 2048	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2044	\$ 635,000	February 15, 2046	\$ 685,000
February 15, 2045 (maturity)	660,000	February 15, 2047	715,000
		February 15, 2048 (maturity)	740,000

The principal amount of Term Certificates required to be redeemed on any mandatory redemption date pursuant to the operation of the mandatory sinking fund redemption provisions shall be reduced, at the option of the City, by the principal amount of any Term Certificates which, at least 45 days prior to a mandatory redemption date (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of

purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

EXTRAORDINARY OPTIONAL REDEMPTION . . . The City reserves the right and option to redeem Certificates before their respective scheduled maturity dates, in whole or in part, on any Business Day, at a Redemption Price of 100% of the principal amount of such Certificates, or portions thereof to be redeemed, plus accrued and unpaid interest to the date of redemption solely from cash on deposit with the City as a result of cash contributions made by developers within the City for utility infrastructure.

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

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

The Paying Agent/Registrar and the City, so long as a book-entry-only system is used for the Certificates, will send any notice of redemption relating 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. Redemptions 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 that the City may discharge its obligations to the registered owners of any or all of the Certificates, as applicable, to pay principal and interest thereon in any manner permitted by law. Under current Texas law, such discharge may be accomplished either (i) by depositing with the Paying Agent/Registrar or other lawfully authorized entity a sum of money equal to the principal of and all interest to accrue on such Certificates to maturity or redemption (if applicable) or (ii) by depositing with the Paying Agent/Registrar or other lawfully authorized entity amounts sufficient, together with the investments earnings thereon, to provide for the payment and/or redemption (if applicable) of such Certificates; provided that such deposits may be invested and reinvested only in (a) direct non-callable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date the governing body of the City adopts or approves the proceedings authorizing the issuance of refunding obligations, are rated as to investment quality by a nationally recognized investment rating firm not less than "AAA" or its equivalent and (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 the City Council adopts or approves the proceedings authorizing the issuance of refunding bonds, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and which mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption of the Certificates. The foregoing obligations may be in book-entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment and/or redemption (if applicable) of the Certificates, as the case may be.

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 will 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 Defeasance Securities or that for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption 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.

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

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

DTC will act as securities depository for the Certificates. The Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate will be issued for each 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 of 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 Direct and Indirect Participants are on file with the SEC. More information about DTC can be found at www.dtcc.com.

Purchases of Certificates under the DTC system must be made by or through direct Participants, which will receive a credit for such purchases 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 or Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interest in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. **Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system described herein 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 nominee effect no change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the security 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 relating to the Certificates shall be sent to DTC. If less than all of the Certificates within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Certificates unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the Record Date (hereinafter defined). 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).

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

DTC may discontinue providing its services as securities depository with respect to the Certificates at any time by giving reasonable notice to the City. 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). In that event, security certificates will be printed and delivered.

So long as Cede & Co. is the registered owner of the Certificates, the City will have no obligation or responsibility to the Direct Participants or Indirect Participants, or the persons for which they act as nominees, with respect to the payment to or providing of notice to such Direct Participants, Indirect Participants or the persons for which they act as nominees.

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 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.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar for the Certificates is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank, trust company, financial institution or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar. 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 such Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

Principal of the Certificates will be payable to the registered owner at maturity or prior redemption upon presentation and surrender at the principal office of the Paying Agent/Registrar. 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 (see "THE CERTIFICATES - Record Date for Interest Payment" herein), 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. If the date for the payment of the principal of or interest on the Certificates shall be a Saturday, Sunday, legal holiday or day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment shall be the next succeeding day which is not such a Saturday, Sunday, legal holiday or day when banking institutions are authorized to close; and payment on such date shall have the same force and effect as if made on the original date payment was due. So long as Cede & Co. is the registered owner of the Certificates, payments of principal and interest on the Certificates will be made as described in "THE CERTIFICATES - Book-Entry-Only System" herein.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed certificates will be delivered to the registered owners of the Certificates and thereafter the Certificates may be transferred and

exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender of such printed certificates 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 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 principal 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 of the same series, in denominations of \$5,000 or integral multiples thereof 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" for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

RECORD DATE FOR INTEREST PAYMENT . . . The record date (the "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 month next preceding each interest payment date for the Certificates.

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

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

CERTIFICATEHOLDERS' REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus 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 June 30, 2006 Texas Supreme Court 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 covenants in the Certificates or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

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 I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as

opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I*, *Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling 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 at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law 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 authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Certificates may exercise the remedy of mandamus to enforce the Certificates of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract).

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the United States 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 remedies 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, principles of governmental immunity, and general principles of equity that permit the exercise of judicial discretion.

AMENDMENTS . . . The City may amend the Ordinance without the consent of or notice to any registered owner in any manner not detrimental to the interest of the registered owners, including the curing of any ambiguity, inconsistency, 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 and affected thereby, amend, add to, or rescind any of the provisions of Ordinance; except that, without the consent of the registered owners of all of the Certificates then outstanding, no such amendment, addition, or rescission may (i) extend the time or times of payment of the principal of 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 or interest on the Certificates, (ii) give any preference to any Certificate over any other Certificate, or (iii) reduce the aggregate principal amount of Certificates required to be held by Owners for consent to any such amendment, addition, or rescission.

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BOND INSURANCE

BOND INSURANCE POLICY

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

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

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

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

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

Capitalization of BAM

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of September 30, 2022 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$512.5 million, \$195.6 million and \$316.9 million, respectively.

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

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

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

Additional Information Available from BAM

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

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if

available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at www.buildamerica.com/credit-profiles. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

BOND INSURANCE RISKS

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

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable solely from ad valorem taxes levied, within the limited prescribed by law, as further described in "THE CERTIFICATES – Security and Source of Payment of the Certificates". 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 or the marketability (liquidity) of the Certificates.

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

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS . . . Moody's Investor Services, Inc., S&P and Fitch Ratings (collectively, the "Rating Agencies") have downgraded and/or placed on negative watch 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, recent 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. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any such bond insurer, particularly over the life of the Certificates.

TAX INFORMATION

The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 Denton Central Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the taxing unit by petition filed with the Appraisal Review Board.

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property (the "10% Homestead Cap"). See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to the 10% Homestead Cap.

State law provides that eligible owners of both agricultural land and open-space land, including open-space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity ("Productivity Value"). The same land may not be qualified as both agricultural and open-space land. See "Table 1 – Assessed Valuation and Exemption" for the reduction in taxable valuation attributable to valuation by Productivity Value.

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "TAX INFORMATION – Issuer and Taxpayer Remedies."

STATE MANDATED HOMESTEAD EXEMPTIONS . . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action, and surviving spouses of first responders killed or fatally wounded in the line of duty. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to state mandated homestead exemptions.

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

LOCAL OPTION FREEZE FOR THE ELDERLY AND DISABLED . . . The governing body of a county, municipality or junior college district may, at its option, provide for a freeze on the total amount of ad valorem taxes levied on the homesteads of persons 65 years of age or older or of disabled persons above the amount of tax imposed in the year such residence qualified for such exemption. Also, upon voter initiative, an election may be held to determine by majority vote whether to establish such a freeze on ad valorem taxes. Once the freeze is established, the total amount of taxes imposed on such homesteads cannot be increased except for certain improvements, and such freeze cannot be repealed or rescinded. See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to the local option freeze for the elderly and disabled.

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 historical 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.

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

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

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

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

See "Table 1 – Assessed Valuation and Exemption" for the reduction, if any, attributable to Freeport Property and/or Goods-in-Transit exemptions.

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

TAX INCREMENT FINANCING ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment financing zones ("TIRZ") within its boundaries, and other overlapping taxing units may agree to contribute taxes levied against the "Incremental Value" in the TIRZ to finance or pay for project costs, as defined in Chapter 311, Texas Government Code, general located within the TIRZ. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "Incremental Value", and during the existence of the TIRZ, all or a portion of the taxes levied by each participating taxing unit against the Incremental Value in the TIRZ are restricted to paying project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units. See "TAX INFORMATION – City Application of Tax Code" for descriptions of any TIRZ created in the City.

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

For a discussion of how the various exemptions described above are applied by the City, See "TAX INFORMATION – City Application of Tax Code" herein.

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

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

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

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

"special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents

or less per \$100 of taxable value.

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

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

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

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

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

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

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

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

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

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

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

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

ISSUER AND TAX PAYER REMEDIES . . . Under certain circumstances, the City and its taxpayers 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 of at least \$50 million and situated in a county with a population of one million or more as of the most recent federal decennial census may additionally protest the determinations of appraisal district directly to a three-member special panel of the appraisal review board, selected by a State district judge, consisting of highly qualified professionals in the field of property tax appraisal.

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

The foregoing sections represents the City's current understanding of the recently adopted Senate Bill 2, however the City cannot represent at this time what impact such legislation may have on the City. The City may revise and update this information as more information about Senate Bill 2 and its specific impact on the City becomes available.

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

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

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

After July, penalty remains at 12%, and interest increases at the rate of one-percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to incur interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney's collection fee of up to 20% may be added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead for persons 65 years of age or older and disabled persons of \$10,000.

The City has granted an additional exemption of .5% of the market value of residence homesteads; minimum exemption of \$5,000.

The City has established a tax freeze effective 2021 on the amount of property taxes imposed by the City on homesteads of disabled individuals and individuals who are 65 years of age or older. 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. Denton County Tax Assessor/Collector collects taxes for the City.

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

The City does not tax freeport property.

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

The City has not adopted a tax abatement policy.

In connection with the Jackson Ridge Public Improvement District ("PID"), the City created Tax Increment Reinvestment Zone Number One, City of Aubrey, Texas - Jackson Ridge (the "Jackson Ridge TIRZ"), pursuant to Chapter 311 of the Texas Tax Code (the "TIRZ Act"). The Jackson Ridge TIRZ overlays the Jackson Ridge PID and its boundaries are coterminous with the Jackson Ridge PID. In addition, the City has adopted an ordinance (the "Jackson Ridge TIRZ Ordinance") authorizing the use of revenues generated by the TIRZ for project costs under the TIRZ Act, relating to the improvements to be constructed within the Jackson Ridge TIRZ. Jackson Ridge TIRZ revenues consist of amounts paid by the City from the Jackson Ridge TIRZ tax increment fund pursuant to the Jackson Ridge TIRZ Ordinance to reduce annual installments levied on properties within the Jackson Ridge PID. Revenues generated from the Jackson Ridge TIRZ are NOT pledged to repayment on the Certificates.

In connection with the Keeneland Public Improvement District ("Keeneland PID"), the City created Tax Increment Reinvestment Zone Number Two, City of Aubrey, Texas – Keeneland (the "Keeneland TIRZ"), pursuant to the TIRZ Act. The Keeneland TIRZ overlays the Keeneland PID and its boundaries are coterminous with the Keeneland PID. In addition, the City has adopted an ordinance (the "Keeneland TIRZ Ordinance") authorizing the use of revenues generated by the TIRZ for project costs under the TIRZ Act, relating to the improvements to be constructed within the Keeneland TIRZ. Keeneland TIRZ revenues consist of amounts paid by the City from the Keeneland TIRZ tax increment fund pursuant to the Keeneland TIRZ Ordinance to reduce annual installments levied on properties within the Keeneland PID. Revenues generated from the Keeneland TIRZ are NOT pledged to repayment on the Certificates.

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TABLE 1 – ASSESSED VALUATION AND EXEMPTION

2022/23 Market Valuation Established by Denton Central Appraisal District		\$880,636,668
Less Exemptions/Reductions at 100% Market Value:		
Disabled Veterans/Over 65 Exemption	\$11,560,033	
Productivity Loss	17,330,387	
Homestead Exemption	7,427,361	
Pollution Control	6,597	
Homestead Cap	<u>43,234,923</u>	<u>79,559,301</u>
2022/23 Taxable Assessed Valuation		\$ 801,077,367 ⁽¹⁾
2022/23 Incremental Taxable Assessed Value of Real Property within Reinvestment Zones		<u>324,033,622 ⁽¹⁾</u>
2022/23 Taxable Assessed Valuation available for General Fund Obligations and Debt of the City		\$ 477,043,745
City Funded Debt Payable from Ad Valorem Taxes as of 1/15/2023	\$19,104,000	
The Certificates	<u>8,170,000</u>	<u>27,274,000</u>
Less Self-Supporting Debt as of 1/15/2023 ⁽²⁾		
Combination Tax Revenue Certificates of Obligation, Series 2016	4,365,000	
The Certificates	<u>8,170,000</u>	<u>12,535,000</u>
Net Funded Debt Payable From Ad Valorem Taxes		<u>\$ 14,739,000</u>
Interest and Sinking Fund as of 12/31/2022		\$ 980,634.89
Ratio Tax Supported Debt to Taxable Assessed Valuation		3.40%
Ratio Net Tax Supported Debt to Taxable Assessed Valuation		1.84%

2022 Estimated Population - 7,580
Per Capita Taxable Assessed Valuation - \$105,683
Per Capita Funded Debt - \$3,598
Per Capita Net Funded Debt - \$1,944

- (1) 2022/23 certified taxable assessed values as of September 12, 2022 as reported by the Denton Central Appraisal District.
- (2) It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future, although the City has no current plans to do so. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligation, the City will be required to levy an ad valorem tax to pay such debt service. See Table 10 herein for more detailed information on the City's general obligation self-supporting debt. Includes the Certificates.

TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

Category	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2023		2022		2021	
	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 739,722,111	84.00%	\$ 457,810,902	77.04%	\$ 333,343,063	74.53%
Real, Residential, Multi-Family	19,396,590	2.20%	16,977,749	2.86%	16,339,276	3.65%
Real, Vacant Platted Lots/Tracts	16,185,672	1.84%	16,030,394	2.70%	13,482,807	3.01%
Real, Acreage (Land Only)	17,982,897	2.04%	9,157,155	1.54%	7,927,223	1.77%
Real, Farm and Ranch Improvements	4,923,087	0.56%	5,119,124	0.86%	4,666,255	1.04%
Real, Commercial and Industrial	34,609,453	3.93%	29,054,689	4.89%	33,121,148	7.41%
Real and Intangible Personal, Utilities	8,373,724	0.95%	6,756,525	1.14%	7,550,279	1.69%
Tangible Personal, Commercial & Industrial	18,087,501	2.05%	15,264,960	2.57%	8,865,455	1.98%
Tangible Personal, Mobile Homes	51,236	0.01%	21,558	0.00%	19,855	0.00%
Real, Inventory	21,304,397	2.42%	38,034,955	6.40%	21,956,244	4.91%
Special Inventory	-	0.00%	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 880,636,668	100.00%	\$ 594,228,011	100.00%	\$ 447,271,605	100.00%
Less: Total Exemptions/Reductions	(79,559,301)		(27,125,480)		(17,707,016)	
Taxable Assessed Value	<u>\$ 801,077,367</u> ⁽¹⁾		<u>\$ 567,102,531</u> ⁽²⁾		<u>\$ 429,564,589</u> ⁽³⁾	

Category	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2020		2019	
	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	\$ 248,506,178	68.53%	\$ 177,469,766	64.24%
Real, Residential, Multi-Family	16,232,826	4.48%	15,828,526	5.73%
Real, Vacant Platted Lots/Tracts	10,044,510	2.77%	11,916,732	4.31%
Real, Acreage (Land Only)	10,142,360	2.80%	12,864,569	4.66%
Real, Farm and Ranch Improvements	10,807,539	2.98%	5,427,120	1.96%
Real, Commercial and Industrial	29,454,587	8.12%	22,431,045	8.12%
Real and Intangible Personal, Utilities	6,870,658	1.89%	6,198,428	2.24%
Tangible Personal, Commercial & Industrial	10,356,059	2.86%	6,864,022	2.48%
Tangible Personal, Mobile Homes	19,984	0.01%	20,619	0.01%
Real, Inventory	20,194,628	5.57%	17,223,628	6.23%
Special Inventory	-	0.00%	-	0.00%
Total Appraised Value Before Exemptions	\$ 362,629,329	100.00%	\$ 276,244,455	100.00%
Less: Total Exemptions/Reductions	(19,314,791)		(23,078,447)	
Taxable Assessed Value	<u>\$ 343,314,538</u> ⁽⁴⁾		<u>\$ 253,166,008</u> ⁽⁵⁾	

(1) Includes tax incremental value of approximately \$324,033,622 that is not available for the City's general use.

(2) Includes tax incremental value of approximately \$207,078,396 that is not available for the City's general use.

(3) Includes tax incremental value of approximately \$143,542,571 that is not available for the City's general use.

(4) Includes tax incremental value of approximately \$91,399,172 that is not available for the City's general use.

(5) Includes tax incremental value of approximately \$30,644,523 that is not available for the City's general use.

NOTE: Valuations shown are certified taxable assessed values reported by the Denton Central 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	Net Tax Debt Outstanding at End of Year ⁽⁸⁾	Ratio Tax Debt to Taxable Assessed Valuation	Funded Debt Per Capita
2019	3,931	\$ 253,166,008 ⁽³⁾	\$ 64,402	\$ 4,352,000	1.72%	\$1,107
2020	4,530	343,314,538 ⁽⁴⁾	75,787	4,828,000	1.41%	1,066
2021	5,006	429,564,589 ⁽⁵⁾	85,810	5,013,000	1.17%	1,001
2022	5,507	567,102,531 ⁽⁶⁾	102,978	14,739,000	2.60%	2,676
2023	7,580	801,077,367 ⁽⁷⁾	105,683	13,963,000 ⁽⁹⁾	1.74% ⁽⁹⁾	1,842 ⁽⁹⁾

(1) Source: City Staff.

(2) As reported by the Denton Central Appraisal District on City's annual State Property Tax Reports, subject to change during the ensuing year.

(3) Includes incremental tax value of approximately \$30,644,523 that is not available for the City's general use.

(4) Includes incremental tax value of approximately \$91,399,172 that is not available for the City's general use.

(5) Includes incremental tax value of approximately \$143,542,571 that is not available for the City's general use.

(6) Includes incremental tax value of approximately \$207,078,396 that is not available for the City's general use.

(7) Includes incremental tax value of approximately \$324,033,622 that is not available for the City's general use.

(8) Excludes Self-Supporting Debt (see "Table 10 - Computation of Self-Supporting Debt").

(9) Projected. Does not include the Certificates. The Certificates are expected to be 100% self-supporting debt. See Tables 1, 8 and 10.

TABLE 4 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy ⁽¹⁾	% of Total Tax Collections to Tax Levy ⁽¹⁾
		General Fund	Interest and Sinking Fund			
2019	\$0.54200	\$0.22030	\$ 0.32170	\$ 1,401,662	99.22%	99.45%
2020	0.54160	0.268600	0.273000	1,865,664	95.51%	95.51%
2021	0.54140	0.291800	0.249600	2,325,663	99.40%	99.40%
2022	0.52500	0.389190	0.135810	2,967,796	100.35%	100.35%
2023	0.46493	0.298569	0.166359	3,682,207	9.87% ⁽²⁾	9.87% ⁽²⁾

(1) Tax bills are mailed in October of each year and taxes become delinquent on February 1 of the following year.

(2) Collections as of December 1, 2022.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer ⁽¹⁾	Nature of Property	2022/23 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Kiron at Aubrey Ltd.	Real Estate	\$ 10,000,000	1.25%
Blue Diamond Industries LLC	Real Estate	7,234,137	0.90%
Impression Homes LLC	Real Estate	5,169,058	0.65%
CADG Comanche 248, LLC	Real Estate	4,852,753	0.61%
Quality Excavation, LTD	Building	4,594,691	0.57%
Pulte Homes of Texas LP	Real Estate	4,186,883	0.52%
Pacesetter Homes LLC	Real Estate	4,036,246	0.50%
KB Home Lone Star INC	Real Estate	3,065,090	0.38%
928 US 377 LLC	Real Estate	2,650,071	0.33%
Coserv Electric Coop	Utilities	2,208,250	0.28%
		<u>\$ 47,997,179</u>	<u>5.99%</u>

(1) Of the ten largest taxpayers in the City, over 3.91% of the total 5.99% are home builders. The City expects over 1500 homes to be constructed within the City within the next few years. Any slow down in the housing market could affect this planned absorption schedule and slow the sale of homes to individual taxpayers by these builders.

Source: Denton Central Appraisal District.

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⁾

2023 Net Principal and Interest Requirements	\$ 1,256,313
\$0.1601 Tax Rate at 98.00% Collection Produces	\$ 1,256,874
 Average Annual Net Principal and Interest Requirements, 2023 - 2042	 \$ 1,019,668
\$0.1299 Tax Rate at 98.00% Collection Produces	\$ 1,019,788
 Maximum Net Principal and Interest Requirements, 2027	 \$ 1,686,704
\$0.2149 Tax Rate at 98.00% Collection Produces	\$ 1,687,085

(1) Includes the Certificates.

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 debt ("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 Tax Debt since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of 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	2022/23 Taxable Assessed Value	2022/23 Tax Rate	Total GO Tax Debt as of 1/15/2023	Estimated % Applicable	City's Overlapping GO Tax Debt as of 1/15/2023
City of Aubrey	\$ 801,077,367	\$ 0.5250	\$ 14,739,000 ⁽¹⁾	100.00%	\$ 14,739,000
Aubrey Independent School District	2,012,008,073	\$ 1.4429	285,059,457	19.75%	56,299,243
Denton County	134,999,085,576	0.2175	559,930,000	0.31%	1,735,783
Total Direct and Overlapping G.O. Debt					\$ 72,774,026
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation					9.08%
Per Capita Overlapping G.O. Debt					\$ 13,215

(1) Excludes self-supporting debt. Includes the Certificates.

DEBT INFORMATION

TABLE 8 – GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt			The Certificates			Total Debt Service Requirements	Less: W&S Self- Supporting Debt Service	Net Outstanding Debt Service	% of Principal Retired
	Principal	Interest	Total	Principal	Interest	Total				
2023	\$ 921,000	\$ 606,213	\$ 1,527,213	\$ -	\$ 152,223	\$ 152,223	\$ 1,679,436	\$ 423,123	\$ 1,256,313	
2024	1,074,000	635,529	1,709,529	60,000	317,706	377,706	2,087,235	715,006	1,372,229	
2025	1,322,000	609,618	1,931,618	60,000	315,906	375,906	2,307,525	722,606	1,584,918	
2026	1,365,000	574,124	1,939,124	65,000	314,031	379,031	2,318,155	748,381	1,569,774	
2027	1,559,000	533,579	2,092,579	65,000	312,081	377,081	2,469,660	782,956	1,686,704	23.80%
2028	842,000	495,408	1,337,408	70,000	310,056	380,056	1,717,464	786,631	930,833	
2029	866,000	462,213	1,328,213	70,000	307,956	377,956	1,706,169	784,931	921,238	
2030	905,000	427,603	1,332,603	70,000	305,856	375,856	1,708,459	782,931	925,528	
2031	860,000	391,850	1,251,850	75,000	303,681	378,681	1,630,531	785,556	844,975	
2032	895,000	354,975	1,249,975	75,000	301,431	376,431	1,626,406	782,806	843,600	41.13%
2033	935,000	316,425	1,251,425	80,000	298,956	378,956	1,630,381	784,531	845,850	
2034	980,000	276,000	1,256,000	80,000	296,256	376,256	1,632,256	785,656	846,600	
2035	1,015,000	236,950	1,251,950	85,000	293,472	378,472	1,630,422	786,322	844,100	
2036	1,055,000	199,500	1,254,500	90,000	290,519	380,519	1,635,019	786,519	848,500	
2037	680,000	166,800	846,800	480,000	279,400	759,400	1,606,200	759,400	846,800	61.23%
2038	705,000	139,100	844,100	495,000	259,900	754,900	1,599,000	754,900	844,100	
2039	735,000	110,300	845,300	520,000	239,600	759,600	1,604,900	759,600	845,300	
2040	765,000	80,300	845,300	540,000	218,400	758,400	1,603,700	758,400	845,300	
2041	795,000	49,100	844,100	560,000	196,400	756,400	1,600,500	756,400	844,100	
2042	830,000	16,600	846,600	585,000	173,500	758,500	1,605,100	758,500	846,600	85.17%
2043	-	-	-	610,000	149,600	759,600	759,600	759,600	-	
2044	-	-	-	635,000	124,700	759,700	759,700	759,700	-	
2045	-	-	-	660,000	98,800	758,800	758,800	758,800	-	
2046	-	-	-	685,000	71,900	756,900	756,900	756,900	-	
2047	-	-	-	715,000	43,900	758,900	758,900	758,900	-	97.29%
2048	-	-	-	740,000	14,800	754,800	754,800	754,800	-	100.00%
	<u>\$ 19,104,000</u>	<u>\$ 6,682,186</u>	<u>\$ 25,786,186</u>	<u>\$ 8,170,000</u>	<u>\$ 5,991,032</u>	<u>\$ 14,161,032</u>	<u>\$ 39,947,219</u>	<u>\$ 19,553,857</u>	<u>\$ 20,393,361</u>	

TABLE 9 – INTEREST AND SINKING FUND BUDGET PROJECTION

Net General Purpose Debt Service Requirements, Fiscal Year Ending 9/30/23	\$ 1,256,313	
Interest and Sinking Fund Balance, as of 9/30/22	\$ 156,413	⁽¹⁾
Calculated Interest and Sinking Fund Tax Levy Collection @ 98%	1,060,250	⁽²⁾
Transfers In	<u>90,668</u>	<u>1,307,331</u>
Ending Fund Balance, 9/30/23	\$ 51,018	

(1) Unaudited.

(2) Includes TIRZ No. 1 calculated tax levy based on 54.8% City portion as per TIRZ agreement.

AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS . . . The City has no authorized but unissued bonds.

ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . . The City does not anticipate the issuance of any tax supported debt within the next twelve months.

PENSION FUND . . . The City participates as one of 886 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the TMRS 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.tmr.com.

For a more in depth description, see the City's audit in Appendix B.

TABLE 10 – COMPUTATION OF SELF-SUPPORTING DEBT

	FY 2023 Outstanding Principal	FY 2023 Debt Service (P+I)
Combination Tax Revenue Certificates of Obligation, Series 2016 ⁽¹⁾	\$ 4,365,000	\$ 270,900
The Certificates	<u>8,170,000</u>	<u>152,223</u>
Fiscal Year 2022 Totals	<u>\$12,535,000</u>	<u>\$ 423,123</u>
Projected Average Annual Debt Service (2023-2048)		\$ 752,071
Projected Maximum Annual Debt Service (2028)		\$ 786,631
Water and Sewer System Net Revenue Available for Debt Service, FY 2021		\$ 1,161,961
Less: Water and Sewer System Revenue Bonds Debt Service, FY 2022		<u>-</u>
Net Revenue Available for Water and Sewer General Obligation Debt Service, FY 2022		<u>\$ 1,161,961</u>

(1) Principal outstanding at the beginning of the fiscal year.

Note: The City considers the general obligation debt listed above to be self-supporting. In the event the City chooses to discontinue such transfer of System revenues or such System revenues are not available to pay debt service (in the case of the Certificates), the City will be required to levy ad valorem taxes or to appropriate other lawfully available funds of the City in amounts sufficient to pay the debt service on such general obligation debt.

TABLE 11 – OTHER OBLIGATIONS

<u>Governmental activities:</u>		Amounts	
	Interest	Ending	due within
	Rate	Balance	one year
Fire equipment	3.37%	\$ 47,505	\$ 43,642
Police vehicles	2.81%	26,024	23,396
Fire truck	4.48%	359,366	95,436
Total		<u>\$ 432,895</u>	<u>\$ 162,474</u>

FINANCIAL INFORMATION

TABLE 12 – GENERAL FUND REVENUE AND EXPENDITURE HISTORY

<u>Revenues</u>	Fiscal Years Ended September 30,				
	2021	2020	2019	2018	2017
<u>Taxes:</u>					
Property Taxes	\$ 1,079,631	\$ 954,148	\$ 581,596	\$ 457,160	\$ 410,101
General Sales and Use Taxes	1,348,662	975,602	796,845	683,967	605,373
Franchise Tax	512,881	447,373	368,558	350,478	279,665
Licenses and Permits	3,552,866	2,103,952	1,507,855	905,574	246,670
Contributions and Grants	182,489	387,796	75,583	68,752	74,087
Charges for Services	4,258,773	3,624,389	2,947,919	2,386,538	2,045,553
Fines and Fees	256,176	216,568	241,105	258,720	222,940
Court Citations	-	99,124	81,726	82,489	117,118
Other Revenue	509,074	401,881	345,768	269,860	357,924
Total Revenues	<u>\$11,700,552</u>	<u>\$ 9,210,833</u>	<u>\$ 6,946,955</u>	<u>\$ 5,463,538</u>	<u>\$ 4,359,431</u>
<u>Expenditures</u>					
<u>Current:</u>					
Administrative	\$ 756,832	\$ 519,651	\$ 497,960	\$ 427,051	\$ 520,219
Municipal Court	90,698	86,903	78,184	76,239	75,772
Public Safety	5,159,846	4,306,391	3,598,701	2,894,189	2,271,590
Public Works	92,091	94,136	154,853	79,597	76,102
Solid Waste					-
Library	296,965	254,660	235,816	221,507	207,716
Animal Control	24,022	24,022	24,022	18,898	18,898
Development, Planning and Code Enforcement	1,997,817	1,258,648	907,033	480,540	169,457
<u>Debt Service:</u>					
Principal	126,314	345,803	177,122	110,257	85,780
Interest and Fiscal Charges	39,862	29,096	42,555	20,285	19,001
Bond Issuance Costs	-	50,501	44,585	-	-
Capital Outlay	499,122	1,159,815	1,913,958	542,506	445,496
Total Expenditures	<u>\$ 9,083,569</u>	<u>\$ 8,129,626</u>	<u>\$ 7,674,789</u>	<u>\$ 4,871,069</u>	<u>\$ 3,890,031</u>
Excess (Deficiency) of Revenues					
Over (Under) Expenditures	\$ 2,616,983	\$ 1,081,207	\$ (727,834)	\$ 592,469	\$ 469,400
Other Sources (Uses), Net	<u>-</u>	<u>1,192,811</u>	<u>2,205,982</u>	<u>162,549</u>	<u>72,715</u>
Excess (Deficiency) of Revenues and					
Other Financing Sources Over (Under)					
Expenditures and Other Financing Uses	\$ 1,272,015	\$ 2,274,018	\$ 1,478,148	\$ 755,018	\$ 542,115
Beginning Fund Balance	5,887,503	3,613,485	2,135,337	1,387,968	845,853
Prior Period Adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,649)</u>	<u>-</u>
Ending Fund Balance	<u>\$ 7,159,518</u>	<u>\$ 5,887,503</u>	<u>\$ 3,613,485</u>	<u>\$ 2,135,337</u>	<u>\$ 1,387,968</u>

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, Texas Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Additionally, the City's voters approved a sales and use tax of 1/2 of 1% for the reduction of ad valorem taxes, effective October of 2001. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. **Sales and use tax proceeds are not pledged to payment of the Certificates and are not available to pay debt service on the Certificates. The City also levies a ½ cent sales tax for the purposes of property tax reduction pursuant to Chapter 321 Texas Tax Code, and ½ cent is levied for the Aubrey Economic Development Corporation pursuant to Chapter 505 Texas Local Government Code.**

Fiscal Year Ended 9/30	Sales Tax Collected	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2019	\$ 796,844	56.85%	\$ 0.3148	\$ 202.71
2020	942,082	50.50%	0.2744	207.97
2021	1,271,037	54.65%	0.2959	253.90
2022	1,641,097	55.12%	0.2894	298.00
2023	483,113 ⁽¹⁾	12.97%	0.0603	87.73

(1) Collections of 1% Sales Tax through December 2022.

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256, Texas Government Code, as amended (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) certificates of deposit and share certificates meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, or in any other manner and amount provided by law for City deposits, or (ii) certificates of deposit where (a) the funds are invested by the City through a broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States; and (d) the City appoints, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clause (1) above or clause (12) below, which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other

information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and complies with SEC Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the SEC that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority) and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide

specific investment training for the City's designated Investment Officer; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

TABLE 14 - CURRENT INVESTMENTS

As of November 30, 2022 the City's investable funds were invested in the following categories:

Description	Market Value	Book Value
LOGIC Accounts	\$ 28,136,564	\$ 28,136,564
MMD	\$ 1,621,255	\$ 1,621,255
	<u>\$ 28,136,564</u>	<u>\$ 28,136,564</u>

RECENT FINANCIAL DEVELOPMENTS – 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 of Texas ("Texas") and pursuant to Chapter 418 of the Texas Government Code, the Governor issued a number of executive orders intended to help limit the spread of COVID-19 and mitigate injury and the loss of life, including limitations imposed on business operations, social gatherings, and other activities. Since such time, COVID-19 negatively affected commerce, travel and businesses locally and globally, and negatively affected economic growth worldwide and within the State. Following the widespread release and distribution of various COVID-19 vaccines in 2021 and a decrease in active COVID-19 cases generally in the United States, state governments (including Texas) have started to lift business and social limitations associated with COVID-19. Beginning in March 2021, the Governor issued various executive orders, which, among other things, rescinded and superseded prior executive orders and provide that there are currently no COVID-19 related operating limits for any business or other establishment.

The Governor retains the right to impose additional restrictions on activities if needed 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 Report.

WITH THE EASING OR REMOVAL OF COVID-19 ASSOCIATED GOVERNMENTAL RESTRICTIONS, ECONOMIC ACTIVITY HAS INCREASED. HOWEVER, THERE ARE NO ASSURANCES THAT SUCH INCREASED ECONOMIC ACTIVITY WILL CONTINUE OR CONTINUE AT THE SAME RATE, ESPECIALLY IF THERE ARE FUTURE OUTBREAKS OF COVID-19. THE CITY HAS NOT EXPERIENCED ANY DECREASE IN PROPERTY VALUES, UNUSUAL TAX DELINQUENCIES, OR INTERRUPTIONS TO SERVICE AS A RESULT OF COVID-19; HOWEVER, THE CITY CANNOT PREDICT THE LONG-TERM ECONOMIC EFFECT OF COVID-19 OR A SIMILAR VIRUS SHOULD THERE BE A REVERSAL OF ECONOMIC ACTIVITY AND RE-IMPOSITION OF RESTRICTIONS.

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TAX MATTERS

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

TAX EXEMPTION

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

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

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

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

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

ADDITIONAL FEDERAL INCOME TAX CONSIDERATIONS

Collateral Tax Consequences

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations may result in collateral federal income tax consequences, including but not limited to those noted below. Therefore, prospective purchasers of the Certificates should consult their own tax advisors as to the tax consequences of the acquisition, ownership and disposition of the Certificates.

For tax years beginning after December 31, 2022, an "applicable corporation" (as defined in section 59(k) of the Code) may be subject to a 15% alternative minimum tax imposed under section 55 of the Code on its "adjusted financial statement income" (as defined in section 56A of the Code) for such taxable year. Because interest on tax-exempt obligations, such as the Certificates, is included in a corporation's "adjusted financial statement income," ownership of the Certificates could subject certain corporations to alternative minimum tax consequences.

Ownership of tax-exempt obligations also may result in collateral federal income tax consequences to financial institutions, life insurance and property and casualty insurance companies, certain S corporations with Subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations, low and middle income taxpayers otherwise qualifying for the health insurance premium assistance credit and individuals otherwise qualifying for the earned income tax credit. In addition, certain foreign corporations doing business in the United States may be subject to the "branch profits tax" on their effectively connected earnings and profits, including tax-exempt interest such as interest on the Certificates.

Prospective purchasers of the Certificates should also be aware that, under the Code, taxpayers are required to report on their returns the amount of tax-exempt interest, such as interest on the Certificates, received or accrued during the year.

Tax Accounting Treatment of Original Issue Premium

The issue price of a portion of the Certificates exceeds the stated redemption price payable at maturity of such Certificates. Such Certificates (the "Premium Certificates") are considered for federal income tax purposes to have "bond premium" equal to the amount of such excess. The basis of a Premium Bond in the hands of an initial owner is reduced by the amount of such excess that is amortized during the period such initial owner holds such Premium Bond in determining gain or loss for federal income tax purposes. This reduction in basis will increase the amount of any gain or decrease the amount of any loss recognized for federal income tax purposes on the sale or other taxable disposition of a Premium Bond by the initial owner. No corresponding deduction is allowed for federal income tax purposes for the reduction in basis resulting from amortizable bond premium. The amount of bond premium on a Premium Bond that is amortizable each year (or shorter period in the event of a sale or disposition of a Premium Bond) is determined using the yield to maturity on the Premium Bond based on the initial offering price of such Premium Bond. The federal income tax consequences of the purchase, ownership and redemption, sale or other disposition of Premium Certificates that are not purchased in the initial offering at the initial offering price may be determined according to rules that differ from those described above. All owners of Premium Certificates should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of amortized bond premium upon the redemption, sale or other disposition of a Premium Bond and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, and sale, redemption or other disposition of such Premium Certificates.

Tax Accounting Treatment of Original Issue Discount

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

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

The foregoing discussion assumes that (i) the Underwriters have purchased the Certificates for contemporaneous sale to the public and (ii) all of the Original Issue Discount Certificates have been initially offered, and a substantial amount of each maturity thereof has been sold, to the general public in arm's-length transactions for a price (and with no other consideration being included) not more than the initial offering prices thereof stated on the inside cover page of this Official Statement. Neither the City nor Bond Counsel has made any investigation or offers any comfort that the Original Issue Discount Certificates will be offered and sold in accordance with such assumptions.

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

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

Tax Legislative Changes

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

CONTINUING DISCLOSURE OF INFORMATION

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

ANNUAL REPORTS . . . The City will provide to the MSRB updated financial information and operating data annually. The information to be updated includes quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under the Tables numbered 1 through 6 and 8 through 14. The City will update and provide this information in the numbered tables within six (6) months after the end of each fiscal year and audited financial statements within twelve (12) months after the end of each fiscal year when and if available. If the audit of such financial statements is not complete within such time frame after any such fiscal year end, then the City shall file unaudited financial statements within such time period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes 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 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 SEC Rule 15c2-12 (the "Rule").

The City's current fiscal year end is September 30. Accordingly, updated unaudited information included in the above-referenced tables must be provided by the end of March each year, and audited financial statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change (and of the date of the new fiscal year end) prior to the next date by which the City otherwise would be required to provide financial information and operating data.

NOTICE OF CERTAIN EVENTS . . . The City will also provide to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5702-TEB) or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrar or the change of name of a paying agent/registrar, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" and any notices of events in accordance with this section.

For these purposes, (A) any event described in the immediately preceding clause (12) is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to 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 of business of the City, and (B) the City intends the words used in clauses (15) and (16) in the immediately preceding paragraph and in the definition of Financial Obligation to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018. The Ordinance defines "Financial Obligation" as a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as a security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule.

AVAILABILITY OF INFORMATION . . . The City has agreed to provide the foregoing financial and operating information only as described above. Investors may access continuing disclosure information filed with the MSRB free of charge at www.emma.msrb.org.

LIMITATIONS AND AMENDMENTS . . . The City has agreed to update information and to provide notices of material events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Certificates may seek a writ of mandamus to compel the City to comply with its agreement. The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted the Underwriters, to purchase or sell Certificates in the offering described herein in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Certificates consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders 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 the Underwriter from lawfully purchasing or selling Certificates in the primary offering of the Certificates. If the City so amends its continuing disclosure agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

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

OTHER INFORMATION

RATING

The Certificates will be rated "AA" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P"), by virtue of a municipal bond insurance policy to be issued by BAM upon delivery of the Certificates to the Purchaser. In addition, the Certificates are rated "AA-" by S&P without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view 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 such company, circumstances so warrant. Any such downward revision or withdrawal of such rating, may have an adverse effect on the market price or marketability 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 and 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. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State, the PIFA, 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 - Rating" 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

Though it may represent the Financial Advisor and the Underwriters from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City. Except as noted below, Bond Counsel did not take part in the preparation of this 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 and subcaptions "PLAN OF FINANCING" (excluding the information under the subcaption "Sources and Uses of Certificate Proceeds"), "THE CERTIFICATES" (excluding the information under the subcaptions "Book-Entry-Only System" and "Certificateholders' Remedies"), "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION" (excluding the information under the subcaption "Compliance with Prior Undertakings"), "OTHER INFORMATION - Registration and Qualification of Certificates for Sale", "OTHER INFORMATION - Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER INFORMATION - Legal Matters" (excluding the last sentence of the first paragraph thereof) in this Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the provisions of 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 Underwriters by Norton Rose Fulbright US LLP, counsel for the Underwriters. The legal fees of said firms are contingent upon 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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. 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

HilltopSecurities 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. HilltopSecurities, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

UNDERWRITERS FOR THE CERTIFICATES

The Underwriters have agreed, subject to certain conditions, to purchase the Certificates from the City, at a price equal to the initial offering price to the public, as shown on page 2 herein, less an underwriting discount of \$60,699.98. The Underwriters 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 Underwriters 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 Underwriters.

The Underwriters have provided the following information for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement pursuant to their responsibilities to investors under the federal securities laws but the Underwriters do 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 financial data and other information contained herein have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and 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 statutes, documents and resolutions for further information. Reference is made to original documents in all respects.

The Ordinance authorizing the issuance of the Certificates authorized the form and content of this Official Statement, and any addenda, supplement or amendment hereto, and authorized its further use in the reoffering of the Certificates by the Underwriters in accordance with the provisions of the Rule.

APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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The City of Aubrey (the "City") is located at the intersection of FM 428 and US Hwy 377, in Denton County. The City is a small north central Texas town containing a total land area of approximately 3.01 square miles, occupying the northeastern portion of Denton County. The City is approximately 10 miles north of US Highway 380 and 20 miles west of IH 35 on the outskirts of the Dallas-Fort Worth Metroplex.

HORSE RANCHING

Situated on the flat to rolling terrain of the Aubrey Branch, about 4 miles east of the Elm Fork of the Trinity River, the City is the center of a prime equestrian area known for its Paints, Quarterhorses and Thoroughbreds. The City is home to the National Paint Horse Association.

TOURISM AND EXPANSION OF DALLAS/FORT WORTH AREA ECONOMY

More than 3,000,000 visitors are attracted annually to the nearby Lake Ray Roberts, Lake Lewisville, and Texas Motor Speedway.

TOP TEN EMPLOYERS

<u>Company</u>	<u>Type of Business</u>	<u>Employees</u>
Aubrey ISD	School District	308
City of Aubrey	Local Government	72
Quality Excavation	Construction	50
Blue Diamond Industries LLC	Manufacturing	32
US Post Office	Federal Government	30
Aubrey Pharmacy	Retail Pharmacy	15
Diamond Food Market	Grocery	10

LABOR FORCE

Denton County Employment figures, as reflected by the Texas Workforce Commission, are as follows:

	December	Average Annual				
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Civilian Labor Force	563,385	528,401	508,668	497,471	479,070	467,636
Employed	547,259	505,287	475,991	482,704	463,617	451,897
Unemployed	16,126	23,114	32,677	14,767	15,453	15,739
Percent of Unemployed	2.9%	4.37%	6.42%	2.97%	3.23%	3.37%

APPENDIX B

EXCERPTS FROM THE
CITY OF AUBREY, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2021

The information contained in this Appendix consists of excerpts from the City of Aubrey, 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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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Aubrey, Texas

Report on Financial Statements

We 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 City of Aubrey, Texas (the "City") as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

To the Honorable Mayor and
Members of the City Council

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

A handwritten signature in black ink that reads "Whitley Penn LLP". The signature is written in a cursive, flowing style.

March 22, 2022
Fort Worth, Texas

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of City of Aubrey's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2021. Please read it in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of fiscal year 2021 by \$6,845,247. Unrestricted net position at the close of fiscal year 2021 is \$6,966,459 and may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$8,626,472 during fiscal year 2021 as a result of this year's operations and capital contributions.
- The City's Governmental Funds reported total fund balances of \$24,610,175, which is an increase of \$8,084,917 from operations. Fund balance was restated by an additional \$5,132,911 to include the Jackson Ridge and Winn Ridge South Public Improvement Districts in the governmental funds. The operations increase is primarily due to an increase in license and permit revenue, charges for services and development income. The unassigned fund balances of \$7,153,718 (29.1% of total fund balances) are available for spending at the City's discretion. The remainder of the fund balances are restricted primarily for future development projects.

Government-Wide Financial Statements

Government-wide financial statements provide an analysis of the City's overall financial condition and operation. The primary objective of these statements is to show whether the City's financial condition has improved or deteriorated as a result of the year's activities.

The Statement of Net Position includes all the City's assets, deferred inflows/outflows of resources, and liabilities (including long-term items) while the Statement of Activities includes all the revenue and expenses generated by the City's operations during the year. Government-wide statements utilize the accrual basis of accounting, which is the same method used by most private sector companies.

All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid. The City's revenue is divided into the following categories: 1) charges for services, 2) operating grants and contributions, 3) capital grants and contributions, 4) general revenues not associated with any specific program function. All of the City's assets are reported whether they serve the current or future years. Liabilities are also reported regardless of whether they must be paid in the current or future years.

These two statements report the City's net position and changes in them. The City's net position provides one measure of the City's financial health. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. To fully assess the overall health of the City you should consider non-financial factors as well, such as changes in the City's request for services from citizens and the condition of the City's facilities.

The Statement of Net Position and the Statement of Activities, reports two kinds of activities, as well as, the component units:

Governmental Activities – City services such as police protection, fire protection, municipal court, street maintenance, library, animal control, and City administration are reported here. City property taxes finance most of these activities.

Business-Type Activities - The City uses proprietary (business-type) funds to account for its water, sewer and garbage operations. The services are supported by monthly charges to citizens.

CITY OF AUBREY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Blended Component Units - The Tax Increment Reinvestment Zone Number One (TIRZ#1), Jackson Ridge PID, and Winn Ridge South PID are blended component unit.

Discretely Presented Component Unit - The Aubrey Municipal Development District is reported in a separate column as a discretely presented component unit.

Reporting the City's Most Significant Funds

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds. The City's two kinds of funds—governmental and proprietary—use different accounting approaches.

Governmental Funds – The City reports most of its basic services in governmental funds. Governmental funds use the modified accrual basis of accounting (a method that measures the receipt and disbursement of cash and other financial assets that can be readily converted to cash) and they report balances that are available for future spending. Governmental fund statements provide a detailed short-term view of the City's general operations and the basic services it provides. We describe the accounting differences between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in the reconciliation schedules found within the governmental fund statements.

Proprietary Funds – The City uses proprietary (business-type) funds to account for its water, sewer, and garbage operations. The full-accrual basis of accounting is used for all proprietary type funds.

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.

OTHER INFORMATION

In addition to the basic financial statements and the accompanying notes, this report also presents certain required supplementary information concerning the City's progress in funding its obligation to provide other postemployment benefits, pension information and general fund budgetary comparisons. Required supplementary information can be found in the City's Annual Comprehensive Financial Report.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal services funds are presented immediately following the required supplementary information. Combining and individual fund statements and supporting schedules can be found in the City's Annual Comprehensive Financial Report.

CITY OF AUBREY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position serves as one useful indicator of a government's financial position. The City's net position increased from a deficit of \$1,781,225 (as restated) to a positive net position of \$6,845,247. The portion (19,490,577) of the City's net position consists of net investment in capital assets; land, buildings, infrastructure, vehicles, and equipment, less any outstanding debts used to acquire these assets. The City uses capital assets to provide services to the citizens they serve; consequently, these assets are not available for future spending.

SUMMARY OF STATEMENT OF NET POSITION
As of September 30, 2021 and 2020

	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 25,838,958	\$ 12,336,521	\$ 4,988,544	\$ 5,135,315	\$ 30,827,502	\$ 17,471,836
Capital assets, net	19,499,184	17,396,432	10,351,879	9,103,699	29,851,063	26,500,131
Total Assets	45,338,142	29,732,953	15,340,423	14,239,014	60,678,565	43,971,967
Total deferred outflows of resources	237,861	176,500	24,915	38,117	262,776	214,617
Long-term liabilities	2,866,796	5,040,360	4,825,554	5,465,995	7,692,350	10,506,355
Other liabilities	45,602,689	763,065	624,227	684,397	46,226,916	1,447,462
Total liabilities	48,469,485	5,803,425	5,449,781	6,150,392	53,919,266	11,953,817
Total deferred inflows of resources	159,095	158,740	17,733	34,275	176,828	193,015
Net Position:						
Net investments in capital assets	(19,490,577)	13,927,024	7,515,948	3,904,142	(11,974,629)	17,831,166
Restricted	9,359,480	5,512,344	2,493,937	4,657,884	11,853,417	10,170,228
Unrestricted	7,078,520	4,507,920	(112,061)	(469,562)	6,966,459	4,038,358
Total net position	\$ (3,052,577)	\$ 23,947,288	\$ 9,897,824	\$ 8,092,464	\$ 6,845,247	\$ 32,039,752

CITY OF AUBREY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Statement of Activities

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

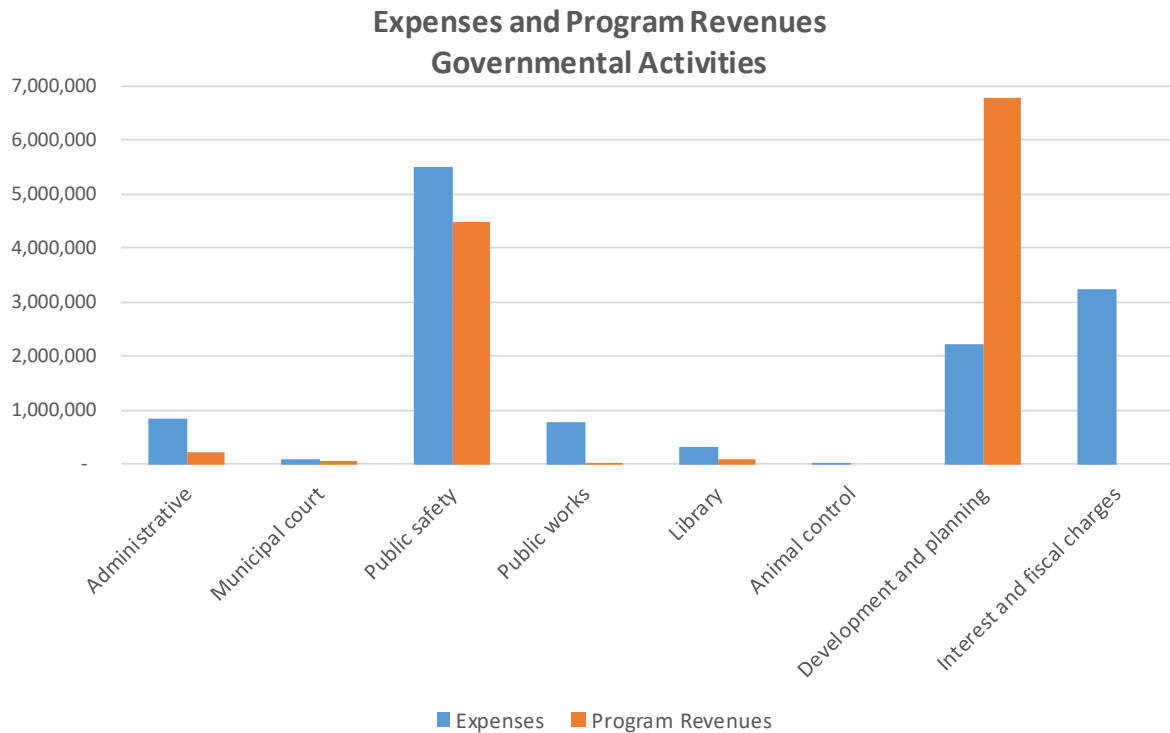
Changes in Net Position Years Ended September 30, 2021 and 2020						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenues:						
Program revenues:						
Charges for services	\$ 11,563,833	\$ 8,735,531	\$ 3,635,926	\$ 3,102,557	\$ 15,199,759	\$ 11,838,088
Operating grants and contributions	17,263	389,150	-	-	17,263	389,150
Capital grants and contributions	-	3,673,541	1,009,000	642,979	1,009,000	4,316,520
General revenues:						
Property tax	2,330,371	1,940,933	-	-	2,330,371	1,940,933
Sales tax	1,348,662	975,602	-	-	1,348,662	975,602
Franchise taxes	512,881	447,373	-	-	512,881	447,373
Occupancy taxes	541	-	-	-	541	-
Assessments	3,344,867	-	-	-	3,344,867	-
Unrestricted investment earnings	14,460	-	4,024	67,526	18,484	67,526
Miscellaneous	944,102	-	39,938	9,020	984,040	9,020
Total revenue	<u>20,076,980</u>	<u>16,162,130</u>	<u>4,688,888</u>	<u>3,822,082</u>	<u>24,765,868</u>	<u>19,984,212</u>
Expenses:						
Administrative	849,792	539,916	-	-	849,792	539,916
Municipal court	92,557	89,187	-	-	92,557	89,187
Public safety	5,511,964	4,717,906	-	-	5,511,964	4,717,906
Public works	758,646	523,056	-	-	758,646	523,056
Library	311,919	300,607	-	-	311,919	300,607
Animal control	24,022	24,022	-	-	24,022	24,022
Development and planning	2,218,267	1,411,040	-	-	2,218,267	1,411,040
Interest and fiscal charges	3,248,697	214,342	-	-	3,248,697	214,342
Water and sewer	-	-	2,191,521	1,872,476	2,191,521	1,872,476
Garbage	-	-	932,011	647,249	932,011	647,249
Total expenses	<u>13,015,864</u>	<u>7,820,076</u>	<u>3,123,532</u>	<u>2,519,725</u>	<u>16,139,396</u>	<u>10,339,801</u>
Increase (decrease) in net position before transfers	7,061,116	8,342,054	1,565,356	1,302,357	8,626,472	9,644,411
Transfers between governmental and business-type activities	(240,004)	(142,484)	240,004	142,484	-	-
Net Increase (decrease) in net position	6,821,112	8,199,570	1,805,360	1,444,841	8,626,472	9,644,411
Net position - beginning of year	23,947,288	15,747,718	8,092,464	6,647,623	32,039,752	22,395,341
Prior period adjustment	(33,820,977)	-	-	-	(33,820,977)	-
Net position - end of year	<u>\$ (3,052,577)</u>	<u>\$ 23,947,288</u>	<u>\$ 9,897,824</u>	<u>\$ 8,092,464</u>	<u>\$ 6,845,247</u>	<u>\$ 32,039,752</u>

The government's total net position as a result of operations increased by \$8,626,472. The addition of the Jackson Ridge and Winn Ridge South PID's as part of the primary government amounted to a restatement of net position by a decrease of \$33,820,977. The increase in operations is related to an increase in development income, property taxes and sales tax. Property taxes increased due to an increase in appraised value. Sales tax increased due to development within the City. Unrestricted net position – the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements is \$6,966,459 for the City.

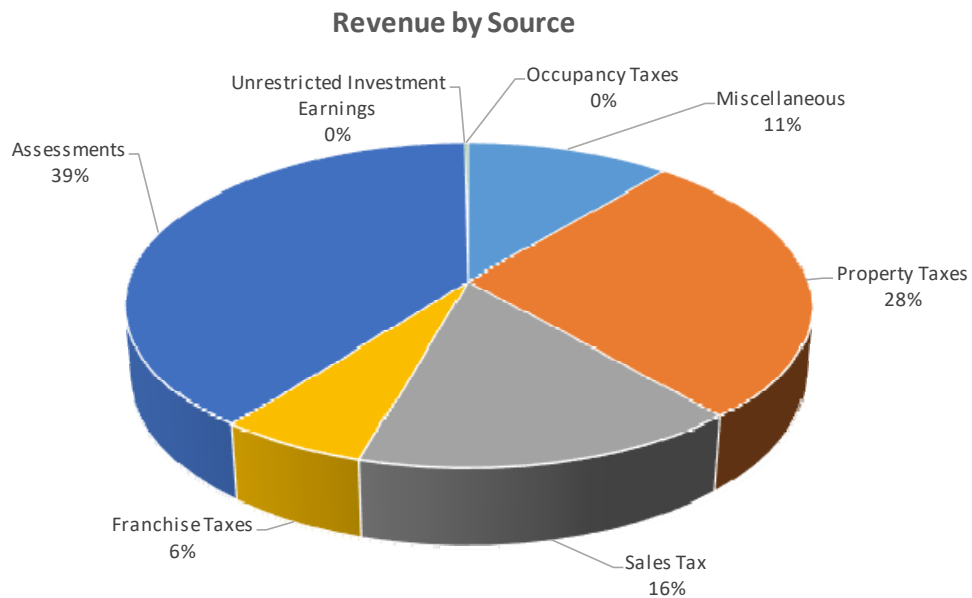
CITY OF AUBREY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

GOVERNMENTAL ACTIVITIES

A comparison of program expenses to program revenues by source for governmental activities follows:



Revenue sources for governmental activities were distributed as follows:

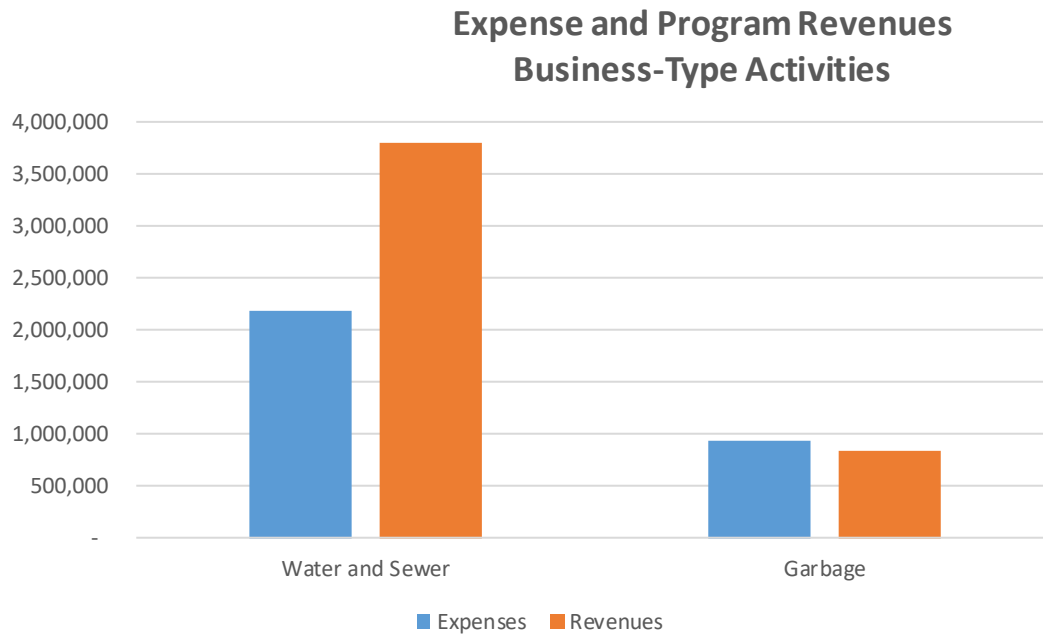


CITY OF AUBREY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Revenues without transfers were \$20,076,980 in FY 2021 compared to \$16,162,130 in FY 2020. A 24.2% increase due to property taxes, sales taxes and development income.

BUSINESS-TYPE ACTIVITIES

Revenues without transfers were \$4,688,888 in FY 2021 compared to \$3,822,082 in FY 2020. A 22.7% increase due to capital contributions and increase in charges for services. A comparison between expenses and program revenues (charges for services) related to the Water and Sewer and the Garbage operations follows:



FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental funds

The City's Governmental Funds reported total fund balances of \$24,610,175 compared to the prior year amount of \$16,525,258 (as restated). This represents an increase of \$8,084,917 related to development income, issuance of tax notes for projects and in increase in charges for services and licenses and permits – all related to development within the City.

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 \$7,153,718, an increase of \$1,273,715. Sales tax revenues increased 38.2% or \$373,000. Charges for services related to intergovernmental public safety revenues increased 17.5% or \$634,000. Licenses and permits increased by 68.9% or \$1.4 million. Total revenues in the general fund increased by \$2.5 million, while expenditures increased by \$954 thousand, accounting for the increase to general fund balance.

The debt service fund has an ending fund balance of \$133,794, a decrease of \$110,324 related to the payment of debt service principal and interest.

The City's Other development fund had an increase in fund balance of \$3,044,084 from development income.

The grant fund had an increase in fund balance of \$76,323 as a result of a transfer in and ending fund balance at September 30, 2021 was \$76,323.

CITY OF AUBREY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

The Jackson Ridge PID had an increase of \$3,451,623 from the prior year fund balance of \$3,649,075 (as restated). The restatement of fund balance was due a change in accounting principal. The fund was previously reported as an agency fund. In fiscal year 2021, it was added as a blended component unit to the City's financial statements.

Proprietary funds

The City's proprietary funds provide the same information found in the government-wide, business-type activities.

General fund budgetary highlights

General fund actual revenues exceeded budgeted by \$1,624,000. Sales tax, license and permits and charges for services accounted for 94.6% of the excess. Actual expenditures were less than budgeted by \$1,202,000. Public safety, development, planning and code enforcement and capital outlay accounted for the majority of the savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets net of accumulated depreciation for all activities as of September 30, 2021 amounts to \$29,851,063 as compared to \$26,500,131 at September 30, 2020. This investment in capital assets includes land, buildings and improvements, water and sewer systems, street improvements, city parks, equipment and vehicles. Major capital asset activity during the current fiscal year included \$3,673,541 million of streets and drainage contributed by local developers.

Capital Assets (net of Accumulated Depreciation)						
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
Land	\$ 766,487	\$ 766,487	\$ 83,058	\$ 83,058	\$ 849,545	\$ 849,545
Construction in progress	413,960	311,292	361,652	2,269,214	775,612	2,580,506
Buildings and Structures	1,277,600	1,311,589	67,830	70,636	1,345,430	1,382,225
Equipment and vehicles	1,800,135	1,832,803	122,249	72,288	1,922,384	1,905,091
Parks	99,892	118,173	-	-	99,892	118,173
Streets and Drainage	15,141,110	13,056,088	-	-	15,141,110	13,056,088
Water System	-	-	6,127,193	3,875,206	6,127,193	3,875,206
Sewer System	-	-	3,589,897	2,733,297	3,589,897	2,733,297
Total capital assets	<u>\$ 19,499,184</u>	<u>\$ 17,396,432</u>	<u>\$ 10,351,879</u>	<u>\$ 9,103,699</u>	<u>\$ 29,851,063</u>	<u>\$ 26,500,131</u>

CITY OF AUBREY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (continued)

Long-term Debt

At fiscal year-end, total bonds, certificates of obligation, notes, and capital leases outstanding for Governmental Activities are \$46,947,588 and Business-Type Activities are \$5,038,193 which will primarily be paid with property taxes and water and sewer revenues. Long-term obligations increased by \$3.0 million as the principal payments made by the City were offset by the issuance of new debt in the amount of \$4.7 million.

The implementation of GASB Statement No. 84, "Fiduciary Activities", resulted in the inclusion of the debt related to the Jackson Ridge and Winn Ridge South PIDs in the primary government financial statements.

	Outstanding Debt					
	Governmental Activities		Business-Type Activities		Total	
	2021	2020	2021	2020	2021	2020
General obligation bonds (net)	\$ 2,532,349	\$ 258,124	\$ 538,193	\$ 782,919	\$ 3,070,542	\$ 1,041,043
Certificates of obligation (net)	285,000	1,640,000	4,500,000	4,640,000	4,785,000	6,280,000
Tax notes	1,900,000	2,354,000	-	-	1,900,000	2,354,000
Revenue bonds	41,791,155	38,730,000	-	-	41,791,155	38,730,000
Bank notes (capital lease)	439,084	565,398	-	-	439,084	565,398
Totals	<u>\$ 46,947,588</u>	<u>\$ 43,547,522</u>	<u>\$ 5,038,193</u>	<u>\$ 5,422,919</u>	<u>\$ 51,985,781</u>	<u>\$ 48,970,441</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The fiscal year 2021-2022 budget reduces the property tax rate while continuing the focus on improved street and water/wastewater infrastructure, competitive compensation packages, human resource expansion, and infrastructure expansion and improvements consistent with future growth.

The adopted Ad Valorem Property Tax Rate in the coming fiscal year decreased from last year's rate and is set at \$0.525 per one hundred dollars taxable valuation. Assessed property valuations increased by \$106,540,206 (23.7%) for fiscal year 2022. Taxable property values increased from \$448,811,390 to \$555,351,596. The increase primarily came from new housing additions.

Sales tax revenue, municipal court fines, licenses and franchise fees are projected to rise slightly with population growth. Revenues for the Water and Sewer fund are budgeted to be stable. However, expanding water and sewer requirements and aging infrastructure require assessment of and implementation of gradual water/sewer revenue enhancements of 3 to 5% needed to maintain service levels and service required debt payments.

Program enhancements and capital expenditures in the budget include additional public safety personnel, replacements and additions of police patrol vehicles and public works vehicles and equipment and new and replacement fire equipment.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, write to City Hall, at 107 S. Main St., Aubrey, Texas 76227, call (940) 440-9343, or visit www.aubreytx.gov.

BASIC FINANCIAL STATEMENTS

CITY OF AUBREY, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

Page 1 of 2

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Aubrey Municipal Development District
Assets				
Current Assets:				
Cash and cash equivalents	\$ 6,442,289	\$ 232,563	\$ 6,674,852	\$ 1,031,833
Investments	7,957,383	-	7,957,383	-
Receivables, net of allowances:				
Accounts	420,002	-	420,002	-
Property taxes	21,311	-	21,311	-
Other taxes	256,583	-	256,583	133,842
Fines, fees and court costs	114,875	-	114,875	-
Special assessments	-	281,226	281,226	-
Interfund balances	278,736	(278,736)	-	-
Prepays	77,940	-	77,940	-
Inventories, at cost	5,800	47,845	53,645	-
Total Current Assets	15,574,919	282,898	15,857,817	1,165,675
Noncurrent Assets:				
Cash and cash equivalents	10,145,008	4,696,199	14,841,207	-
Investments	34,319	-	34,319	-
Net pension asset	84,712	9,447	94,159	-
Capital assets:				
Non-depreciable:				
Land	766,487	83,058	849,545	20,500
Construction in progress	413,960	361,652	775,612	-
Depreciable:				
Buildings	1,277,600	67,830	1,345,430	132,146
Machinery and equipment	1,800,135	122,249	1,922,384	-
Parks	99,892	-	99,892	-
Streets	15,141,110	-	15,141,110	-
Water system	-	6,127,193	6,127,193	-
Wastewater system	-	3,589,897	3,589,897	-
Total capital assets - net	19,499,184	10,351,879	29,851,063	152,646
Total Noncurrent Assets	29,763,223	15,057,525	44,820,748	152,646
Total Assets	45,338,142	15,340,423	60,678,565	1,318,321
Deferred Outflows of Resources				
Deferred outflows - pension	205,810	22,940	228,750	-
Deferred outflows - OPEB	32,051	1,975	34,026	-
Total Deferred Outflows of Resources	237,861	24,915	262,776	-

CITY OF AUBREY, TEXAS
STATEMENT OF NET POSITION
September 30, 2021

Page 2 of 2

	Primary Government			Component Unit
	Governmental	Business-Type		Aubrey Municipal
	Activities	Activities	Total	Development
				District
Liabilities				
Current Liabilities:				
Accounts payable	\$ 234,552	\$ 212,213	\$ 446,765	\$ 5,021
Accrued liabilities	300	1,926	2,226	-
Accrued wages and benefits	163,339	13,989	177,328	-
Customer deposits	2,986	141,689	144,675	-
Accrued interest payable	239,238	12,318	251,556	-
Unearned revenue	606,456	-	606,456	-
Notes payable - current portion	150,565	-	150,565	-
Bonds payable - current portion	1,469,360	242,092	1,711,452	-
Total Current Liabilities	2,866,796	624,227	3,491,023	5,021
Noncurrent Liabilities:				
Compensated absences	174,870	18,287	193,157	-
Notes payable	288,519	-	288,519	-
Bonds payable	45,039,144	4,796,101	49,835,245	-
Total OPEB liability	100,156	11,166	111,322	-
Total Noncurrent Liabilities	45,602,689	4,825,554	50,428,243	-
Total Liabilities	48,469,485	5,449,781	53,919,266	5,021
Deferred Inflows of Resources				
Deferred inflows - pension	146,210	16,295	162,505	-
Deferred inflows - OPEB	12,885	1,438	14,323	-
Total Deferred Inflows of Resources	159,095	17,733	176,828	-
Net Position				
Net investment in capital assets	(19,490,577)	7,515,948	(11,974,629)	152,646
Restricted for:				
Debt service	-	1,821,688	1,821,688	-
Court security	9,407	-	9,407	-
Capital improvements	824,822	-	824,822	-
Police	6,890	-	6,890	-
Child safety	4,021	-	4,021	-
Development	8,438,017	-	8,438,017	-
Grants	76,323	672,249	748,572	1,160,654
Unrestricted	7,078,520	(112,061)	6,966,459	-
Total Net Position	\$ (3,052,577)	\$ 9,897,824	\$ 6,845,247	\$ 1,313,300

CITY OF AUBREY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Page 1 of 2

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
Administrative	\$ 849,792	\$ 212,186	\$ -	\$ -
Municipal court	92,557	38,129	-	-
Public safety	5,511,964	4,469,246	4,450	-
Public works	758,646	3,150	-	-
Library	311,919	70,607	11,379	-
Animal control	24,022	-	-	-
Development and planning	2,218,267	6,770,515	1,434	-
Interest and fiscal charges	3,248,697	-	-	-
Total Governmental Activities	13,015,864	11,563,833	17,263	-
Business-Type Activities:				
Water and sewer	2,191,521	2,801,716	-	1,009,000
Garbage	932,011	834,210	-	-
Total Business-Type Activities	3,123,532	3,635,926	-	1,009,000
Total Primary Government	16,139,396	15,199,759	17,263	1,009,000
Component Unit:				
Aubrey Municipal Development District	\$ 538,165	\$ -	\$ -	\$ -

CITY OF AUBREY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2021

Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Position			Component Unit - Aubrey Municipal Development District
	Governmental Activities	Business-type Activities	Total	
Primary Government				
Governmental Activities:				
Administrative	\$ (637,606)	\$ -	\$ (637,606)	
Municipal court	(54,428)	-	(54,428)	
Public safety	(1,038,268)	-	(1,038,268)	
Public works	(755,496)	-	(755,496)	
Library	(229,933)	-	(229,933)	
Animal control	(24,022)	-	(24,022)	
Development and planning	4,553,682	-	4,553,682	
Interest and fiscal charges	(3,248,697)	-	(3,248,697)	
Total Governmental Activities	(1,434,768)	-	(1,434,768)	
Business-Type Activities:				
Water and sewer	-	1,619,195	1,619,195	
Garbage	-	(97,801)	(97,801)	
Total Business-Type Activities	-	1,521,394	1,521,394	
Total Primary Government	(1,434,768)	1,521,394	86,626	
Component Unit:				
Aubrey Municipal Development District				<u>\$ (538,165)</u>
General Revenues:				
Taxes:				
Property	2,330,371	-	2,330,371	657,728
Sales	1,348,662	-	1,348,662	-
Franchise	512,881	-	512,881	-
Occupancy	541	-	541	-
Unrestricted investment earnings	14,460	4,024	18,484	936
Assessments	3,344,867	-	3,344,867	-
Miscellaneous	944,102	39,938	984,040	10
Transfers between governmental and business-type activities	(240,004)	240,004	-	-
Total General Revenues and Transfers	8,255,880	283,966	8,539,846	658,674
Change in net position	6,821,112	1,805,360	8,626,472	120,509
Net Position - Beginning of Year	23,947,288	8,092,464	32,039,752	1,192,791
Prior period adjustment	(33,820,977)	-	(33,820,977)	-
Net Position - End of Year	\$ (3,052,577)	\$ 9,897,824	\$ 6,845,247	\$ 1,313,300

CITY OF AUBREY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

Page 1 of 2

	General Fund	Debt Service Fund	Other Development Fund	Grant Fund
Assets				
Cash and cash equivalents	\$ 5,787,438	\$ -	\$ -	\$ 606,457
Investments	-	-	-	-
Receivables, net of allowance:				
Accounts	325,764	-	-	-
Property taxes	10,279	11,032	-	-
Other taxes receivable	256,457	-	-	-
Fines, fees and court costs	114,875	-	-	-
Due from other funds	814,435	-	-	-
Prepaid items	-	-	-	76,322
Inventories, at cost	5,800	-	-	-
Assets limited to use:				
Cash and cash equivalents	201,705	133,794	7,714,815	-
Investments	34,319	-	-	-
Total Assets	7,551,072	144,826	7,714,815	682,779
Liabilities				
Accounts payable	99,523	-	-	-
Accrued liabilities	2,986	-	-	-
Accrued wages and benefits	163,339	-	-	-
Deposits payable	300	-	-	-
Unearned revenue	-	-	-	606,456
Due to other funds	-	-	-	-
Total Liabilities	266,148	-	-	606,456
Deferred Inflows of Resources				
Unavailable revenue - property taxes	10,279	11,032	-	-
Unavailable revenue - courts	115,127	-	-	-
Total Deferred Inflows of Resources	125,406	11,032	-	-
Fund Balance				
Nonspendable:				
Inventories	5,800	-	-	-
Restricted:				
Debt service	-	133,794	-	-
Court security	-	-	-	-
Capital improvements	-	-	-	-
Police	-	-	-	-
Child safety	-	-	-	-
Development	-	-	7,714,815	-
Grants	-	-	-	76,323
Unassigned	7,153,718	-	-	-
Total Fund Balance	7,159,518	133,794	7,714,815	76,323
Total Liabilities, Deferred Inflows and Fund Balance	\$ 7,551,072	\$ 144,826	\$ 7,714,815	\$ 682,779

CITY OF AUBREY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2021

Page 2 of 2

	PID - Jackson Ridge	Non-major Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ 6,393,895
Investments	7,100,698	856,685	7,957,383
Receivables, net of allowance:			
Accounts	-	94,238	420,002
Property taxes	-	-	21,311
Other taxes receivable	-	126	256,583
Fines, fees and court costs	-	-	114,875
Due from other funds	-	-	814,435
Prepaid items	-	-	76,322
Inventories, at cost	-	-	5,800
Assets limited to use:			
Cash and cash equivalents	-	2,094,694	10,145,008
Investments	-	-	34,319
Total Assets	7,100,698	3,045,743	26,239,933
Liabilities			
Accounts payable	-	135,017	234,540
Accrued liabilities	-	-	2,986
Accrued wages and benefits	-	-	163,339
Deposits payable	-	-	300
Unearned revenue	-	-	606,456
Due to other funds	-	485,699	485,699
Total Liabilities	-	620,716	1,493,320
Deferred Inflows of Resources			
Unavailable revenue - property taxes	-	-	21,311
Unavailable revenue - courts	-	-	115,127
Total Deferred Inflows of Resources	-	-	136,438
Fund Balance			
Nonspendable:			
Inventories	\$ -	\$ -	\$ 5,800
Restricted:			
Debt service	-	-	133,794
Court security	-	9,407	9,407
Capital improvements	-	824,822	824,822
Police	-	6,890	6,890
Child safety	-	4,021	4,021
Development	7,100,698	1,579,887	16,395,400
Grants	-	-	76,323
Unassigned	-	-	7,153,718
Total Fund Balance	7,100,698	2,425,027	24,610,175
Total Liabilities, Deferred Inflows and Fund Balance	\$ 7,100,698	\$ 3,045,743	\$ 26,239,933



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

Total fund balances - governmental funds	\$ 24,610,175
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	19,499,184
Long term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds.	
Bonds, notes, and capital leases payable	(46,860,433)
Unamortized premiums on bonds	(87,155)
Accrued compensated absences	(174,870)
Payables for bond interest which are not due in the current period are not reported in the funds but are included in the statement of net position.	(239,238)
Recognition of the City's proportionate share of the net pension asset is not reported in the funds.	84,712
Recognition of the City's proportionate share of the total OPEB liability is not reported in the funds.	(100,156)
Other adjustments are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. Revenues that are unavailable to pay for current period expenditures and are deferred inflows in the governmental funds are recognized in the government wide statements.	
Property taxes	21,311
Municipal court - fines and fees	115,127
Deferred resource inflows related to the pension and OPEB plans are not reported in the funds.	(159,095)
Deferred resource outflows related to the pension and OPEB plans are not reported in the funds.	237,861
Total net position - governmental activities	<u>\$ (3,052,577)</u>

CITY OF AUBREY, TEXAS

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	General Fund	Debt Service Fund	Other Development Fund	Grant Fund
Revenues				
Taxes				
Property	\$ 1,079,631	\$ 915,527	\$ -	\$ -
Sales	1,348,662	-	-	-
Franchise	512,881	-	-	-
Licenses and permits	3,552,866	-	951,987	-
Contributions and grants	182,489	-	-	-
Charges for services	4,258,773	-	2,086,616	-
Fines and forfeitures	256,176	-	-	-
Assessments	-	-	-	-
Investment earnings	6,140	549	5,481	-
Miscellaneous	502,934	-	-	1
Total Revenues	11,700,552	916,076	3,044,084	1
Expenditures				
Public safety	5,159,846	-	-	-
Development, planning and code enforcement	1,997,817	-	-	-
Administrative	756,832	-	-	-
Library	296,965	-	-	-
Public works	92,091	-	-	-
Municipal court	90,698	-	-	-
Animal control	24,022	-	-	-
Debt service:				
Principal retirement	126,314	766,776	-	-
Interest and fiscal charges	39,862	68,603	-	-
Bond issuance costs	-	48,137	-	-
Capital outlay	499,122	-	-	-
Total Expenditures	9,083,569	883,516	-	-
Excess (deficiency) of revenues over expenditures	2,616,983	32,560	3,044,084	1
Other Financing Sources (Uses)				
Issuance of debt	-	-	-	-
Premium on issuance of debt	-	-	-	-
Refunding bonds issued	-	2,773,000	-	-
Payment to refunded bond escrow agent	-	(2,603,880)	-	-
Sale of general capital assets	8,233	-	-	-
Transfers in	-	-	-	76,322
Transfers out	(1,353,201)	(312,004)	-	-
Total Other Financing Sources (Uses)	(1,344,968)	(142,884)	-	76,322
Net change in fund balances	1,272,015	(110,324)	3,044,084	76,323
Fund Balances - Beginning of Year	5,887,503	244,118	4,670,731	-
Prior period adjustment	-	-	-	-
Fund balances - end of year	\$ 7,159,518	\$ 133,794	\$ 7,714,815	\$ 76,323

CITY OF AUBREY, TEXAS

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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2021

	PID - Jackson Ridge	Non-major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Property	\$ -	\$ 336,220	\$ 2,331,378
Sales	-	-	1,348,662
Franchise	-	-	512,881
Licenses and permits	-	-	4,504,853
Contributions and grants	-	1,434	183,923
Charges for services	-	50,000	6,395,389
Fines and forfeitures	-	233,805	489,981
Assessments	2,723,379	621,488	3,344,867
Investment earnings	888	1,376	14,434
Miscellaneous	434,496	25,327	962,758
Total Revenues	3,158,763	1,269,650	20,089,126
Expenditures			
Public safety	-	5,987	5,165,833
Development, planning and code enforcement	340,238	364,199	2,702,254
Administrative	-	642,860	1,399,692
Library	-	-	296,965
Public works	-	-	92,091
Municipal court	-	1,859	92,557
Animal control	-	-	24,022
Debt service:			
Principal retirement	545,000	125,000	1,563,090
Interest and fiscal charges	2,205,532	481,350	2,795,347
Bond issuance costs	347,829	42,729	438,695
Capital outlay	-	1,648,349	2,147,471
Total Expenditures	3,438,599	3,312,333	16,718,017
Excess (deficiency) of revenues over expenditures	(279,836)	(2,042,683)	3,371,109
Other Financing Sources (Uses)			
Issuance of debt	3,644,000	1,045,000	4,689,000
Premium on issuance of debt	87,459	-	87,459
Refunding bonds issued	-	-	2,773,000
Payment to refunded bond escrow agent	-	-	(2,603,880)
Sale of general capital assets	-	-	8,233
Transfers in	-	1,348,879	1,425,201
Transfers out	-	-	(1,665,205)
Total Other Financing Sources (Uses)	3,731,459	2,393,879	4,713,808
Net change in fund balances	3,451,623	351,196	8,084,917
Fund Balances - Beginning of Year	-	589,995	11,392,347
Prior period adjustment	3,649,075	1,483,836	5,132,911
Fund balances - end of year	\$ 7,100,698	\$ 2,425,027	\$ 24,610,175



CITY OF AUBREY, 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 \$ 8,084,917

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	3,303,867
Depreciation expense	(1,195,056)

Governmental funds report proceeds from the sale of general capital assets. However, in the Statement of Activities, the net amount of proceeds and disposal of assets are reported as a gain or (loss) on the sale of capital assets. This is the amount of disposals of capital assets net of their accumulated depreciation. (6,059)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the governmental funds. (14,346)

Governmental funds report repayment of debt principal as an expenditure and proceeds of new debt as a financing source. However, in the Statement of Activities, these transactions are only considered changes in long-term debt balances.

Principal on bonds repaid in the current year	1,436,330
Principal on notes payables in the current year	126,314
Proceeds from the issuance of capital related debt	(4,689,000)
Proceeds for premium on debt	(87,459)
Proceeds from the issuance of refunding bonds	(2,773,000)
Payments to escrow for refunded bonds	2,603,880

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds

Compensated absences	(25,858)
Accrued interest	(13,904)
Amortization of premium on bonds	(305)
Pension and OPEB expense	70,817

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet maintenance, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities (exclusive of capital assets and debt). (26)

Change in net position of governmental activities	<u>\$ 6,821,112</u>
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CITY OF AUBREY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2021

Page 1 of 2

	Enterprise Funds			Governmental Activities
	Water & Sewer	Garbage	Total Enterprise	Internal Service
Assets				
Current Assets:				
Cash and cash equivalents	\$ 232,563	\$ -	\$ 232,563	\$ 48,394
Accounts receivable, net of allowances:	191,762	89,464	281,226	-
Prepaid	-	-	-	1,618
Inventories, at cost	47,845	-	47,845	-
Total Current Assets	472,170	89,464	561,634	50,012
Noncurrent Assets:				
Restricted cash and cash equivalents	4,696,199	-	4,696,199	-
Capital assets - net:				
Land	83,058	-	83,058	-
CIP	361,652	-	361,652	-
Buildings	112,283	-	112,283	-
Water system	8,022,622	-	8,022,622	-
Wastewater system	6,195,445	-	6,195,445	-
Machinery and equipment	666,305	-	666,305	-
Accumulated depreciation	(5,089,486)	-	(5,089,486)	-
Total capital assets - net	10,351,879	-	10,351,879	-
Net pension asset	9,447	-	9,447	-
Total Noncurrent Assets	15,057,525	-	15,057,525	-
Total Assets	15,529,695	89,464	15,619,159	50,012
Deferred Outflows of Resources				
Deferred outflows - OPEB	22,940	-	22,940	-
Deferred outflows - Pension	1,975	-	1,975	-
Total Deferred Outflows of Resources	24,915	-	24,915	-

CITY OF AUBREY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUND
September 30, 2021

Page 2 of 2

	Enterprise Funds			Governmental Activities
	Water & Sewer	Garbage	Total Enterprise	Internal Service
Liabilities				
Current Liabilities:				
Accounts payable	\$ 137,247	\$ 75,646	\$ 212,893	\$ 12
Accrued liabilities	2,548	-	2,548	-
Accrued wages and benefits	13,989	-	13,989	-
Customer deposits	134,723	5,664	140,387	-
Accrued interest payable	12,318	-	12,318	-
Compensated absences - current portion	18,287	-	18,287	-
Due to other funds	270,582	8,154	278,736	50,000
Current portion - long-term debt	242,092	-	242,092	-
Total Current Liabilities	831,786	89,464	921,250	50,012
Noncurrent Liabilities:				
Bonds payable	4,796,101	-	4,796,101	-
Total OPEB liability	11,166	-	11,166	-
Total Noncurrent Liabilities	4,807,267	-	4,807,267	-
Total Liabilities	5,639,053	89,464	5,728,517	50,012
Deferred Inflows of Resources				
Deferred inflows - Pension	16,295	-	16,295	-
Deferred inflows - OPEB	1,438	-	1,438	-
Total Deferred Inflows of Resources	17,733	-	17,733	-
Net Position				
Net investment in capital assets	7,515,948	-	7,515,948	-
Restricted:				
Debt service	1,821,688	-	1,821,688	-
Impact fees	672,249	-	672,249	-
Unrestricted net position (deficit)	(112,061)	-	(112,061)	-
Total Net Position (Deficit)	\$ 9,897,824	\$ -	\$ 9,897,824	\$ -

CITY OF AUBREY, TEXAS

STATEMENT REVENUES, EXPENSES AND CHANGE IN FUND NET POSITION

PROPRIETARY FUND

For the Year Ended September 30, 2021

	Enterprise Funds			Governmental Activities
	Water & Sewer	Garbage	Total Enterprise	Internal Service
Operating Revenues				
Charges for services:	\$ 2,801,716	\$ 834,210	\$ 3,635,926	\$ -
Employer contributions	-	-	-	435,682
Employee contributions	-	-	-	164,278
Miscellaneous revenues	39,938	-	39,938	-
Total Operating Revenues	2,841,654	834,210	3,675,864	599,960
Operating Expenses				
Personnel services	575,503	-	575,503	-
Materials & Supplies	225,089	-	225,089	-
Repairs & Maintenance	265,525	-	265,525	-
Utilities	166,760	-	166,760	-
Fees & Other Services	390,006	932,011	1,322,017	-
Other Operating Expenses	60,834	-	60,834	-
Insurance premiums paid	-	-	-	599,986
Depreciation	381,622	-	381,622	-
Total Operating Expenses	2,065,339	932,011	2,997,350	599,986
Operating income (loss)	776,315	(97,801)	678,514	(26)
Nonoperating Revenues (Expenses)				
Investment income	4,024	-	4,024	26
Interest and fiscal charges	(126,182)	-	(126,182)	-
Total Nonoperating Revenues (Expenses)	(122,158)	-	(122,158)	26
Income (loss) before transfers	654,157	(97,801)	556,356	-
Transfers				
Capital contributions	1,009,000	-	1,009,000	-
Transfers in	240,004	97,801	337,805	-
Transfers out	(97,801)	-	(97,801)	-
Total Transfers - Net	1,151,203	97,801	1,249,004	-
Change in net position	1,805,360	-	1,805,360	-
Net Position - Beginning of Year	8,092,464	-	8,092,464	-
Net Position - End of Year	\$ 9,897,824	\$ -	\$ 9,897,824	\$ -

CITY OF AUBREY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Year Ended September 30, 2021

	Enterprise Funds			Governmental Activities
	Water & Sewer	Garbage	Total Enterprise	Internal Service
Cash flows from operating activities:				
Cash received from user charges	\$ 2,802,408	\$ 820,643	\$ 3,623,051	\$ 599,960
Receipts from (payments for) interfund services provided	270,582	8,154	278,736	1,250
Other operating revenue	39,938	-	39,938	-
Payments to suppliers	(1,333,681)	(926,598)	(2,260,279)	-
Payments to employees	(593,511)	-	(593,511)	-
Payments for insurance premiums	-	-	-	(601,592)
Net cash provided by (used for) operating activities	1,185,736	(97,801)	1,087,935	(382)
Cash flows from noncapital financing activities:				
Transfers from other funds	240,004	97,801	337,805	-
Transfers to other funds	(97,801)	-	(97,801)	-
Net cash provided by (used for) noncapital financing activities	142,203	97,801	240,004	-
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	(1,629,814)	-	(1,629,814)	-
Capital contribution	1,009,000	-	1,009,000	-
Principal paid on capital debt	(384,726)	-	(384,726)	-
Interest paid on capital debt	(126,182)	-	(126,182)	-
Net cash provided by (used for) capital and related financing activities	(1,131,722)	-	(1,131,722)	-
Cash flows from investing activities:				
Interest and dividends received	4,024	-	4,024	26
Net cash provided by (used for) investing activities	4,024	-	4,024	26
Net increase (decrease) in cash and cash equivalents	200,241	-	200,241	(356)
Cash and cash equivalents, beginning of year	4,728,521	-	4,728,521	48,750
Cash and cash equivalents, end of year	4,928,762	-	4,928,762	48,394
Reconciliation of Cash and Cash Equivalents to Statement of Net Position - Proprietary Funds				
Cash and cash equivalents - current	232,563	-	232,563	48,394
Cash and cash equivalents - noncurrent	4,696,199	-	4,696,199	-
Total cash and cash equivalents	4,928,762	-	4,928,762	48,394
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:				
Operating income (loss)	776,315	(97,801)	678,514	(26)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation expense	381,622	-	381,622	-
(Increase) decrease in accounts receivable	(5,839)	(12,584)	(18,423)	-
(Increase) decrease in prepaid items	-	-	-	(1,618)
(Increase) decrease in inventories	85,655	-	85,655	-
(Increase) decrease in net pension asset	(1,045)	-	(1,045)	-
(Increase) decrease in OPEB deferred outflows	11,345	-	11,345	-
(Increase) decrease in pension deferred outflows	1,857	-	1,857	-
Increase (decrease) in accounts payable	(309,575)	5,413	(304,162)	12
Increase (decrease) in accrued liabilities	(1,547)	-	(1,547)	-
Increase (decrease) in customer deposits	6,531	(983)	5,548	-
Increase (decrease) in compensated absences	(8,802)	-	(8,802)	-
Increase (decrease) in due to other funds	270,582	8,154	278,736	1,250
Increase (decrease) in total OPEB liability	(4,821)	-	(4,821)	-
Increase (decrease) in OPEB deferred inflows	748	-	748	-
Increase (decrease) in pension deferred inflows	(17,290)	-	(17,290)	-
Total adjustments	409,421	-	409,421	(356)
Net cash provided by (used for) operating activities	\$ 1,185,736	\$ (97,801)	\$ 1,087,935	\$ (382)



CITY OF AUBREY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The City of Aubrey (the City) provides a full range of municipal services including public safety (police and fire), highway and streets, solid waste, public improvement, planning and zoning, and general administrative services. In addition, the City provides water and sewer service as a proprietary function of the City. The accounting policies of the City of Aubrey conform to generally accepted accounting principles issued by the Governmental Accounting Standards Board which is the recognized financial accounting standard setting body for governmental entities. The notes to the financial statements are an integral part of the City's basic financial statements.

The City is a general law city governed by an elected mayor and a five-member City Council. The City's financial statements include its component units. The accompanying basic financial statements comply with the provisions of the Governmental Accounting Standards Board (GASB) Statement NO. 14, "The Financial Reporting Entity," in that the financial statements include all organizations, activities, functions and component units for which the City (the primary government) is financially accountable. Financial accountability is defined as the appointment of a voting majority of a legally separate organization's governing body and either (1) the City's ability to impose its will over the organization, or (2) the potential that the organization will provide a financial benefit to or impose a financial burden on the City.

Blended Component Unit

The City of Aubrey Tax Increment Reinvestment Zone No. 1 (TIRZ#1) is fiscally dependent on the City, as the City approves their budgets and any debt issuances; TIRZ#1 qualifies for blending because the Board is the same as the City Council. TIRZ#1 is reported as a blended component unit of the City and it does not issue separate financial statements.

The Jackson Ridge Public Improvement District ("Jackson Ridge PID") is used to account for the bonds proceeds, assessments and debt payments related to the Jackson Ridge PID. Jackson Ridge PID is not a separate political subdivision of the State and is governed by the City Council. Jackson Ridge PID is reported as a blended component unit of the City and it does not issue separate financial statements.

The Winn Ridge South Public Improvement District ("Winn Ridge South PID") is used to account for the bonds proceeds, assessments and debt payments related to the Winn Ridge South PID. Winn Ridge South PID is not a separate political subdivision of the State and is governed by the City Council. Winn Ridge South PID is reported as a blended component unit of the City and it does not issue separate financial statements.

Discretely Presented Component Unit

Aubrey Municipal Development District (the "District") – This entity was created as a result of a special election held in fiscal year 2015, for the imposition of a sales and use tax at the rate of one-half of one percent for the purpose of financing development projects beneficial to the District. Directors of the District are appointed by the City who also has direct oversight of the administration and collection of funds for this entity. Separate audited financial statements are not available for this component unit.

The accounting and reporting policies of the City conform to U.S. generally accepted accounting principles (GAAP) applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments include those principles prescribed by the GASB, which includes all statements and interpretations of the National Council on Governmental Accounting unless modified by the GASB, and those principles prescribed by the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The following is a summary of the more significant policies and practices used by the City.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the Statement of Net Position and the Statement of Activities) report information on all of the activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements.

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Net Position reports the assets and liabilities of the primary government. The net position section of this statement represents the residual amount of assets less their associated liabilities. The net position section is divided into three categories. The first category is Net Investment in Capital Assets, which includes all capital assets, net of accumulated depreciation, less any outstanding debt associated with the assets. Capital assets cannot readily be sold and converted into cash. The second category is Restricted Net Position, which includes those assets that have a constraint placed on their use. The constraints are either: 1) externally imposed by creditors, such as through debt covenants, grantors, contributors, or laws and regulations of other governments, or 2) imposed by law through constitutional provisions or enabling legislation. The final section is Unrestricted Net Position, and this represents net position that generally can be used for any purpose. However, they are not necessarily in a spendable form, like cash.

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

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenues are recorded when 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 Funds

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government 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.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Government-Wide and Fund Financial Statements (continued)

Governmental Funds (continued)

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The General Fund balance is available for any purpose, provided it is expended or transferred in accordance with the legally adopted budget of the City.

Debt service fund is used to account for the interest and sinking tax revenues and payments of principal and interest related to the City's debt service.

The Other Development Fund, a governmental fund type, is a special revenue fund that accounts for assets and liabilities that are restricted for land development.

Grant fund is used to account for intergovernmental revenues and expenditures of the City.

The Jackson Ridge Public Improvement District ("Jackson Ridge PID") is used to account for the bonds proceeds, assessments and debt payments related to the Jackson Ridge PID.

The governmental activities report several nonmajor special revenue funds, which account special revenue, and a nonmajor capital projects fund, which accounts for the acquisition of capital facilities.

Proprietary Funds

Proprietary funds are those used to account for the City's ongoing organizations and activities which are similar to those found in the private sector. The measurement focus is upon capital maintenance and upon determination of net position and changes in net position.

The government reports the following major proprietary funds:

The Water & Sewer Enterprise Fund accounts for the activities for which outside users are charged a fee roughly equal to the cost of providing water and waste water services.

Internal Service Fund

The Internal Service Fund accounts for revenues and expenses related to services provided to parties inside the City. This fund is used to account for revenues and expenses related to services provided to parties inside the City on a cost reimbursement basis. The City's Internal Service Fund is the insurance fund. Because the principal users of the internal services are the City's governmental activities, this fund type is included in the "Governmental Activities" column of the government-wide statements.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Stewardship, Compliance, and Accountability

Budgetary Information

The City Mayor submits an annual budget to the City Council. In September, the City Council adopts annual fiscal year budgets for specific City funds. Budgets for the General Fund are adopted on a basis consistent with U.S. generally accepted accounting principles. The budget is properly amended throughout the year. An annual budget is not adopted for the Development Fund since projects may span multiple fiscal years.

Use of Estimates

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

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position

Deposits and Investments

For purposes of the Statement of Cash Flows, the City's cash and cash investments are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less from the date of acquisition. The depository bank pays the City interest on all funds on deposit.

Investments having a maturity of one year or more, when purchased, are stated at fair value. Short-term investments are stated at cost or amortized cost.

Fair Value Measurements

Fair value accounting requires characterization of the inputs used to measure fair value into three-level fair value hierarchy as follows:

Level 1 inputs are based on unadjusted quoted market prices for identical assets or liabilities in an active market the entity has the ability to access.

Level 2 inputs are observable inputs that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from sources independent from the entity.

Level 3 inputs are observable inputs that reflect the entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available.

There are three general valuation techniques that may be used to measure fair value:

Market approach - uses prices generated by market transactions involving identical or comparable assets or liabilities.

Cost approach – uses the amount that currently would be required to replace the service capacity of an asset (replacement cost).

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Fair Value Measurements (continued)

Income approach – uses valuation techniques to convert future amounts to present amounts based on current market expectations.

Inventory

The cost of inventory is recorded when the related liability is incurred (i.e. the purchase method). Receivables and Payables Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e. the current portion of interfund loans) or “advances to/from other funds” (i.e. the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable available financial resources.

All trade receivables are shown net of an allowance for uncollectibles. Trade accounts receivable in excess of 60 days comprise the trade accounts receivable allowance for uncollectibles.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property located in the City in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 31 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables are based on historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

Restricted Assets

In accordance with applicable covenants of bond issues or other agreements, appropriate assets have been restricted.

CITY OF AUBREY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized but are charged to operations as incurred. Improvements and betterments which materially extend the useful lives of capital assets are capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of the capital assets of business-type activities is included a part of the capitalized value of the assets constructed. Contributions of capital assets from external sources are recorded as capital contribution revenue.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Buildings	40 years
Machinery and equipment	5 – 10 years
Parks	15 years
Streets	15 years
Water system	40 years
Wastewater system	40 years

Deferred Outflows/Inflows of Resources

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

In addition to liabilities, the Statement of Net 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 governmental funds report unavailable revenues from property taxes and fines, fees and court costs. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Proprietary-type funds also have deferred inflows and outflows related to deferred gains and losses for the City's pension and other post-employment benefit (OPEB) plans.

Compensated Absences

City employees are entitled to certain compensated absences based on their length of employment. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. Unused vacation pay is payable at termination and is accrued when incurred in the government-wide and proprietary fund financial statements.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Long-Term Debt

In the government-wide financial statements and the 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 which approximates the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

Pension and Other Post-Employment Benefits (OPEB)

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

Information regarding the City's Total Pension Liability and Total OPEB Liability is obtained from the TMRS through reports prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in accordance with Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Fund Balance

In the fund financial statements, governmental funds report the following classifications of fund balance:

Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact.

Restricted – Constraints placed on the use of these resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors or other governments; or are imposed by law through constitutional provisions or enabling legislation.

Committed – includes amounts that can be used only for the specific purposes as established by a Council resolution or ordinance, the City's highest level of decision-making authority. The City has no committed fund balance at September 30, 2021.

Assigned – includes amounts that are constrained by the City Council, or by another city official or the finance division to which the City has delegated authority, that are to be used for specific purposes but are neither restricted nor committed. The City has no assigned fund balance at September 30, 2021.

Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 1 - Summary of Significant Accounting Policies (continued)

Assets, Liabilities, Deferred Inflows/Outflows of Resources and Fund Balances/Net Position (continued)

Fund Balance (continued)

When the City incurs expenditures that can be made from either restricted or unrestricted fund balances, the expenditures should be charged to restricted fund balances. When the City incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures should be charged first to committed fund balances, second to assigned fund balances, and third to unassigned fund balances. The City expresses intent to maintain a level of assigned and unassigned fund balance in the General Fund equal to 25% of the fund's operating expenditures.

Net Position

Restricted – The City restricts net position to serve different purposes. In the City's governmental funds, net position is restricted for the retirement of long-term debt, court security, capital improvements, police seizure and training, child safety and development. In the City's proprietary funds, net position is restricted for debt service and impact fees.

Implementation of New Accounting Standards

Effective for fiscal year 2021 reporting, the City adopted the following new standards issued by the Governmental accounting Standards Board (GASB):

Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. Governments with activities meeting the criteria should present a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The City implemented this statement. See Note 13 for the financial statement impact as a result of the implementation.

Statement No. 98, *The Annual Comprehensive Financial Report*. This statement establishes the term annual comprehensive financial report and its acronym ACFR. This new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The City implemented this statement.

Note 2 - Deposits and Investments

Cash and Cash Equivalents

Deposits were with the contracted depository banks in interest bearing accounts which were secured throughout the year by FDIC coverage and by securities pledged to, and in the name of, the City.

At year end, the City's carrying amount of deposits was \$3,184,285 and the bank balance was \$4,416,663. The entire balance was collateralized by Federal Deposit Insurance Corporation (FDIC) and securities held by the pledging financial institution's trust department or agent in the government's name.

The carrying amount of deposits was \$181,297 and the bank balance of deposits for the Aubrey Municipal Development District, discretely presented component unit, was \$185,047. The total amount of the bank balance was covered by federal depository insurance or by collateral held by the bank in the corporation's name.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

Cash and Cash Equivalents (continued)

Custodial Credit Risk for Deposits: State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. The pledged securities must be in the name of the governmental entity and held by the entity or its agent. Since the City complied with this law for the year ended September 30, 2021, it had no custodial credit risk for deposits.

Investments

Compliance with the Public Funds Investment Act: The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires a governmental entity to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

These policies authorize the City to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) certificates of deposit by state and national banks doing business in Texas that are (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor or, (b) secured by obligations in a manner and amount provided by law for deposits of the City; (3) fully collateralized repurchase agreements with a bank in Texas or a primary dealer, executed under the Bond Market Master Repurchase Agreement in accordance with the PFIA not to exceed 120 days; (4) money market mutual funds that are (a) registered and regulated by the Securities and Exchange Commission, (b) have a dollar weighted average stated maturity of 90 days or less, (c) rated AAA by at least one nationally recognized rating service, and (d) seek to maintain a net asset value of \$1.00 per share; (5) constant-dollar, Texas local government investment pools, which (a) meet the requirements of PFIA, (b) are rated no lower than AAA or an equivalent rating by at least one nationally recognized rating service, (c) are authorized by resolution or ordinance by the City Commission.

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

<u>Investment Type</u>	<u>WAM</u>	<u>Rating</u>	<u>Rating Agency</u>	<u>Carrying Value</u>
Investment Pools:				
Logic	55	AAAm	S&P	\$ 18,470,056
Mutual funds				8,703,956
Total Portfolio				<u>\$ 27,174,012</u>

As of September 30, 2021, no holding in the portfolio had a stated maturity date beyond twelve months and the dollar weighted average maturity to reset of the total Local Government Investment Cooperative (LOGIC) portfolios was 55 days and the weighted average to final was 90 days.

Investment pools are not categorized as to investment risk since specific securities relating to the government cannot be identified. The City utilizes the following local government investment pools for its short-term liquidity investment needs: LOGIC. The reported value of the pools is the same as the fair value of the pool shares.

Interest rate risk: In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to 365 days. The maximum allowable stated maturity of any individual investment owned by the City shall not exceed two years from the time of purchase.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 2 - Deposits and Investments (continued)

Investments (continued)

LOGIC:

LOGIC is a local government investment pool organized under the authority of the Interlocal Cooperation Act, Chapter 791, of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256, of the Texas Government Code. J.P. Morgan Investment Management Inc. serves as investment advisor and co-administrator with J.P. Morgan Asset Management Inc. LOGIC invests in treasury and agency securities and repurchase agreements as well as prime commercial paper. The pool maintains a weighted average to reset maturity of 60 days or less and a weighted average to final maturity of 90 days or less. The pool seeks to maintain a constant dollar objective.

Credit Risk: LOGIC is rated AAAM by Standard & Poor's.

Note 3 - Receivables

Receivables as of September 30, 2021 for the City's individual major funds and nonmajor funds in the aggregate, including applicable allowances for uncollectible accounts, are as follows:

	General Fund	Debt Service Fund	Non-major Governmental Funds	Water & Sewer Fund	Garbage Fund	Total Receivables
Accounts	\$ 325,764	\$ -	\$ 94,238	\$ 22,000	\$ 43,934	\$ 485,936
Property taxes	13,243	15,850	-	-	-	29,093
Sales taxes	256,457	-	126	-	-	256,583
Fines, fees and court costs	477,753	-	-	-	-	477,753
Charges for services	-	-	-	201,187	52,467	253,654
Total	1,073,217	15,850	94,364	223,187	96,401	1,503,019
Allowance	(365,842)	(4,818)	-	(31,425)	(6,937)	(409,022)
Total (net of allowance)	\$ 707,375	\$ 11,032	\$ 94,364	\$ 191,762	\$ 89,464	\$ 1,093,997

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Capital Asset

Capital asset activity for governmental activities for the year ended September 30, 2021, is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities:					
Capital assets, nondepreciable:					
Land	\$ 766,487	\$ -	\$ -	\$ -	\$ 766,487
Construction in progress	311,292	1,595,162	-	(1,492,494)	413,960
Total nondepreciable	<u>1,077,779</u>	<u>1,595,162</u>	<u>-</u>	<u>(1,492,494)</u>	<u>1,180,447</u>
Capital assets, depreciable:					
Buildings and Structures	2,144,705	26,978	-	-	2,171,683
Machinery and equipment	1,039,359	367,993	(62,440)	-	1,344,912
Vehicles	2,811,529	56,021	(42,400)	-	2,825,150
Parks	273,431	-	-	-	273,431
Storm Drainage	4,961,850	356,678	-	-	5,318,528
Streets	10,301,202	901,034	-	1,492,494	12,694,730
Total depreciable	<u>21,532,076</u>	<u>1,708,704</u>	<u>(104,840)</u>	<u>1,492,494</u>	<u>24,628,434</u>
Less accumulated depreciation for:					
Buildings and Structures	(833,116)	(60,967)	-	-	(894,083)
Equipment	(809,685)	(148,418)	62,439	-	(895,664)
Vehicles	(1,208,400)	(302,206)	36,343	-	(1,474,263)
Parks	(155,258)	(18,281)	-	-	(173,539)
Storm Drainage	(193,191)	(132,963)	-	-	(326,154)
Streets	(2,013,773)	(532,221)	-	-	(2,545,994)
Total accumulated depreciation	<u>(5,213,423)</u>	<u>(1,195,056)</u>	<u>98,782</u>	<u>-</u>	<u>(6,309,697)</u>
Total depreciable - net	<u>16,318,653</u>	<u>513,648</u>	<u>(6,058)</u>	<u>1,492,494</u>	<u>18,318,737</u>
Governmental activities - net	<u>\$ 17,396,432</u>	<u>\$ 2,108,810</u>	<u>\$ (6,058)</u>	<u>\$ -</u>	<u>\$ 19,499,184</u>

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

	Depreciation Expense
Governmental activities:	
Administrative	\$ 29,876
Public Safety	454,121
Public Works	597,528
Library	35,852
Development	77,679
Total governmental activities	<u>\$ 1,195,056</u>

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 4 - Capital Asset (continued)

Capital asset activity for business-type activities for the year ended September 30, 2021 is as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities:					
Capital assets, nondepreciable:					
Land	\$ 83,058	\$ -	\$ -	\$ -	\$ 83,058
Construction in progress	2,269,214	529,594	-	(2,437,156)	361,652
Total nondepreciable	<u>2,352,272</u>	<u>529,594</u>	<u>-</u>	<u>(2,437,156)</u>	<u>444,710</u>
Capital assets, depreciable:					
Buildings Improvements	112,282	1	-	-	112,283
Equipment	296,651	49,800	-	-	346,451
Office Equipment	41,533	-	-	-	41,533
Vehicles	240,435	37,886	-	-	278,321
Water System	5,585,466	-	-	2,437,156	8,022,622
Sewer System	5,182,924	1,012,521	-	-	6,195,445
Total depreciable	<u>11,459,291</u>	<u>1,100,208</u>	<u>-</u>	<u>2,437,156</u>	<u>14,996,655</u>
Less accumulated depreciation for:					
Buildings Improvements	(41,646)	(2,807)	-	-	(44,453)
Equipment	(271,374)	(19,903)	-	-	(291,277)
Office Equipment	(40,933)	(120)	-	-	(41,053)
Vehicles	(194,024)	(17,702)	-	-	(211,726)
Water System	(1,710,260)	(185,169)	-	-	(1,895,429)
Sewer System	(2,449,627)	(155,921)	-	-	(2,605,548)
Total accumulated depreciation	<u>(4,707,864)</u>	<u>(381,622)</u>	<u>-</u>	<u>-</u>	<u>(5,089,486)</u>
Total depreciable - net	<u>6,751,427</u>	<u>718,586</u>	<u>-</u>	<u>2,437,156</u>	<u>9,907,169</u>
Business-type activities - net	<u>\$ 9,103,699</u>	<u>\$ 1,248,180</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,351,879</u>

Construction commitments for the governmental and business-type activities as of September 30, 2021 are shown below:

	Project Authorization	Stored and Completed to Date	Remaining Commitment
Governmental activities			
Street renovation (2021 Project)	\$843,980	\$364,660	\$479,320
Street renovation (GCAA Downtown Project)	323,409	49,300	274,109
	<u>\$1,167,389</u>	<u>\$413,960</u>	<u>\$753,429</u>
Business-type activities			
Water well	\$1,215,885	\$361,652	\$854,233

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Obligations

The following is a summary of changes in long-term obligations for the year ended September 30, 2021:

	Beginning Balance - Restated	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds payable:					
General obligation bonds	\$ 258,124	\$ 2,773,000	\$ (498,775)	\$ 2,532,349	\$ 487,360
Certificates of obligation	1,640,000	-	(1,355,000)	285,000	40,000
Tax notes	2,354,000	1,045,000	(1,499,000)	1,900,000	130,000
Revenue bonds	38,730,000	3,644,000	(670,000)	41,704,000	812,000
Bank notes	565,398	-	(126,314)	439,084	150,565
Premium on bond issues	-	87,459	(304)	87,155	-
Compensated absences	149,013	25,857	-	174,870	-
Total Governmental Activities	\$ 43,696,535	\$ 7,575,316	\$ (4,149,393)	\$ 47,122,458	\$ 1,619,925
Business-type Activities:					
Bonds payable:					
General obligation bonds	\$ 550,879	\$ -	\$ (230,224)	\$ 320,655	\$ 107,092
Certificates of obligation	4,640,000	-	(140,000)	4,500,000	135,000
Premium on bond issues	232,040	-	(14,502)	217,538	-
Compensated absences	27,089	-	(8,802)	18,287	-
Total Business-type Activities	\$ 5,450,008	\$ -	\$ (393,528)	\$ 5,056,480	\$ 242,092

The City issues a variety of long-term debt instruments in order to acquire and/or construct major capital facilities and equipment for governmental and business-type activities. These instruments include general obligation bonds, certificates of obligation and revenue bonds. Future ad valorem tax revenues, water and sewer system revenues or liens on property and equipment secure these debt obligations.

In October 2020, the City issued the Private Placement Series 2020 Tax Note in the amount of \$1,045,000. Proceeds will be used for public safety equipment and streets. The notes were issued with an interest rate of 1.20% and mature through 2027.

In November 2020, the City issued \$2,773,000 Private Placement General Obligation Refunding, Series 2020. This debt was issued to refund \$1,450,000 of Series 2017 General Obligation Refunding Bonds and \$1,261,000 of Series 2018 Tax Notes. The bonds were issued with an interest rate of 1.070% and mature through 2030. The refunded bonds are considered defeased and the debt for these bonds has been removed from the City's financial statements. This is a current refunding and was recorded as other financing uses on the Statement of Revenues, Expenditures, and Change in Fund Balance.

This refunding reduced the total debt service payments over the next 10 years by \$86,167 and resulted in an economic gain (i.e., the difference between the present value of the debt service payments of the refunded debt and the refunding bonds) of \$80,600.

In August 2021, the Jackson Ridge PID issued Special Assessment Revenue Bonds, Series 2021 in the amount of \$3,644,000 and a premium of \$87,459. Proceeds will be used for Phase 3A. The bonds were issued with an interest rate of 5.000% to 6.125% and mature through 2045.

The City executed two agreements with a financial institution for the lease of two fire trucks. The notes were for principal amount of \$616,643 and \$398,508, and carry an interest rate of 4.48% and 3.37%, respectively. The agreements mature on September 2025 and April 2022, respectively. Additionally, the City signed a lease agreement for two police cars in the original amount of \$106,420 and interest rate of 2.81% with maturity date of October 2022. The balance at September 30, 2021 for these notes is \$439,084.

CITY OF AUBREY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Obligations (continued)

Long-term debt at September 30, 2021, is comprised of the following:

	Governmental Activities Public Placement	Governmental Activities Private Placement	Business-type Activities Public Placement	Business-type Activities Public Placement
General Obligation Bonds				
2013 General Obligation Refunding Bonds due in annual payments through February 15, 2026; interest at 2.41%; \$1,673,000 issued to refund previous debt	\$ -	\$ 194,349	\$ -	\$ 320,655
2020 General Obligation Refunding Bonds due in annual payments through February 15, 2030; interest at 1.07%; \$2,773,000 issued to refund previous debt	-	2,338,000	-	-
Total General Obligation Bonds	-	2,532,349	-	320,655
Certificates of Obligation				
2006 Certificates of Obligation due in annual payments through February 15, 2027; interest at 4.10%	-	285,000	-	-
2016 Certificates of Obligation due in annual payments through February 15, 2036; interest at 2.00-3.00%	-	-	4,500,000	-
Total Certificates of Obligation	-	285,000	4,500,000	-
Tax Notes				
2019 Tax Notes due in annual payments through February 15, 2026; interest at 1.87%	-	1,001,000	-	-
2020 Tax Notes due in annual payments through February 15, 2027; interest at 1.20%	-	899,000	-	-
Total Tax Notes	-	1,900,000	-	-
Special Assessment Revenue Bonds				
2015 Special Assessment Revenue Bonds due in annual payments through February 15, 2045; interest at 7.25%; Jackson Ridge PID Phase 1	12,335,000	-	-	-
2015 Special Assessment Revenue Bonds due in annual payments through February 15, 2040; interest at 8.25%; Jackson Ridge PID Phase 2 & 3	8,855,000	-	-	-
2017 Revenue Bonds due in annual payments through February 15, 2047; interest at 5.50-6.20%; Winn Ridge South PID	7,755,000	-	-	-
2018 Special Assessment Revenue Bonds due in annual payments through February 15, 2045; interest at 5.0-6.125%; Jackson Ridge PID	9,115,000	-	-	-
2021 Special Assessment Revenue Bonds due in annual payments through February 15, 2045; interest at 5.0-6.125%; Jackson Ridge PID	3,644,000	-	-	-
Total Special Assessment Revenue Bonds	41,704,000	-	-	-
Issuance premium	87,155	-	217,538	-
Lease purchases payable	-	439,084	-	-
Compensated absences	174,870	-	18,287	-
Total Primary Government Debt	\$ 41,966,025	\$ 5,156,433	\$ 4,735,825	\$ 320,655

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 5 - Long-Term Obligations (continued)

The annual requirements to amortize bonded, certificates of obligations, loan and lease debt at September 30, 2021, including interest, are as follows:

Year Ending September 30,	Governmental Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2022	\$ 487,360	\$ 27,443	\$ 40,000	\$ 10,660
2023	498,153	21,299	40,000	9,020
2024	579,510	14,445	40,000	7,380
2025	583,133	7,935	45,000	5,740
2026	82,193	3,999	45,000	3,895
2027 - 2031	302,000	6,786	75,000	2,050
	<u>\$ 2,532,349</u>	<u>\$ 81,907</u>	<u>\$ 285,000</u>	<u>\$ 38,745</u>

Year Ending September 30,	Governmental Activities			
	Revenue Bonds		Tax Notes	
	Principal	Interest	Principal	Interest
2022	\$ 812,000	\$ 2,776,144	\$ 130,000	\$ 28,412
2023	871,000	2,723,451	132,000	26,203
2024	919,000	2,669,476	134,000	23,957
2025	977,000	2,611,351	139,000	21,653
2026	1,039,000	2,549,314	650,000	14,530
2027 - 2031	6,312,000	11,639,196	715,000	4,290
2032 - 2036	8,769,000	9,199,436	-	-
2037 - 2041	11,517,000	5,696,136	-	-
2042 - 2046	9,908,000	1,891,608	-	-
2047	580,000	35,960	-	-
	<u>\$ 41,704,000</u>	<u>\$ 41,792,072</u>	<u>\$ 1,900,000</u>	<u>\$ 119,045</u>

Year Ending September 30,	Business-type Activities			
	General Obligation Bonds		Certificates of Obligation	
	Principal	Interest	Principal	Interest
2022	\$ 107,092	\$ 7,728	\$ 135,000	\$ 128,700
2023	105,847	5,147	145,000	125,900
2024	35,490	2,594	215,000	122,300
2025	34,867	1,741	230,000	116,700
2026	37,359	900	260,000	109,350
2027	-	-	305,000	100,875
2027 - 2031	-	-	1,675,000	358,875
2032 - 2036	-	-	1,535,000	93,825
	<u>\$ 320,655</u>	<u>\$ 18,110</u>	<u>\$ 4,500,000</u>	<u>\$ 1,156,525</u>

CITY OF AUBREY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan

Plan Description

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

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

Provided

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

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the city-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven 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.

The plan provisions are adopted by the governing body of each city, within the options available in the state statutes governing TMRS. The City has elected that members can retire at age 60 and above with 5 or more years of service or with 25 years of service regardless of age. The City does not provide supplemental death benefits. Members may work for more than one TMRS city during their career. If a member is vested in one TMRS city, he or she is immediately vested upon employment with another TMRS city. Similarly, once a member has met the eligibility requirements for retirement in a TMRS city, he or she is eligible in other TMRS cities as well.

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

Inactive employees or beneficiaries currently receiving benefits	19
Inactive employees entitled to but not yet receiving benefits	86
Active employees	<u>71</u>
	<u><u>176</u></u>

Contributions

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

CITY OF AUBREY, TEXAS
NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Contributions (continued)

Employees for the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.91% and 5.64% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021, were \$308,230, and were equal to the required contributions.

Net Pension Liability

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

Actuarial Assumptions:

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.50% including inflation
Investment rate of return	6.75%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. For disabled annuitants, the mortality tables for health retirees is used with a 4-year set-forward for males and a 3-year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Assumptions are reviewed annually. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments is 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Net Pension Liability (continued)

Actuarial Assumptions (continued)

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

Asset Class	Minimum %	Target %	Maximum %
Core Fixed Income	5.0%	10.00%	15.00%
Non-Core Fixed Income	15.0%	20.00%	25.00%
Global Public Equity	20.0%	30.00%	40.00%
Real Estate	5.0%	10.00%	15.00%
Real Return	5.0%	10.00%	15.00%
Absolute Return	5.0%	10.00%	15.00%
Private Equity	5.0%	10.00%	15.00%
Cash Equivalents	0.0%	0.00%	10.00%

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.

Changes in the Net Pension (Asset)/Liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balance at December 31, 2019	\$ 4,256,291	\$ 4,315,379	\$ (59,088)
Changes for the year:			
Service cost	550,664	-	550,664
Interest	303,142	-	303,142
Difference between expected and actual experience	14,020	-	14,020
Changes of assumptions	-	-	-
Contributions - employer	-	269,625	(269,625)
Contributions - employee	-	307,388	(307,388)
Net investment income	-	328,087	(328,087)
Benefits payments, including refunds of employee contributions	(81,259)	(81,259)	-
Administrative expense	-	(2,120)	2,120
Other changes	-	(83)	83
Net changes	786,567	821,638	(35,071)
Balance at December 31, 2020	\$ 5,042,858	\$ 5,137,017	\$ (94,159)

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 6 - Defined Benefit Pension Plan (continued)

Net Pension Liability (continued)

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability (asset) of the City, calculated using the discount rate of 6.75% as well as what the City's net pension liability 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 in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's Net Pension Liability/(Asset)	\$ 798,357	\$ (94,159)	\$ (810,377)

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 and Inflows of Resources Related to Pension

For the year ended September 30, 2021, the City recognized pension expense of \$194,359.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ (121,245)
Difference in assumption changes	-	(4,431)
Differences between expected and actual experience	13,559	(36,829)
Contributions subsequent to the measurement date	215,191	-
	<u>\$ 228,750</u>	<u>\$ (162,505)</u>

The \$215,191 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2022. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized in pension expense as follows:

Fiscal Year	Amount
2022	\$ (54,592)
2023	(19,324)
2024	(68,179)
2025	(6,851)
	<u>\$ (148,946)</u>

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Other Post-Employment Benefits (OPEB) Plan

Plan Description

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. The City has elected to participate in the SDBF for its active members including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded single-employer OPEB plan (i.e. no assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75) for City reporting.

Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit ("OPEB") and is a fixed amount of \$7,500. At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

<u>Membership</u>	
Retirees and beneficiaries	5
Inactive, nonretired members	12
Active members	<u>71</u>
Total	<u><u>88</u></u>

Contributions

The member 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.

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a two-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year.

Contribution rates to the SDBF for the City were 0.15% and 0.11% for calendar years 2020 and 2021, respectively. The City's contributions to the SDBF for the year ended September 30, 2021 were \$6,103, and were equal to the required contributions.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Other Post-Employment Benefits (OPEB) Plan

Total OPEB Liability

The City's Total OPEB Liability (TOL) was measured as of December 31, 2020 and was determined by an actuarial valuation as of that date.

Actuarial Assumptions:

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

Inflation	2.5% per year
Salary increases	3.5% to 11.5%, including inflation
Discount rate	2.00%
Retiree's share of benefit-related costs	\$ -

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

These actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 2.00% and was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020.

Changes in Total OPEB Liability:

	Total OPEB Liability (a)
Balance at December 31, 2019	\$ 89,812
Service cost	12,735
Interest	2,639
Difference between expected and actual experience	(12,653)
Changes of assumptions	19,228
Benefits payments, including refunds of employee contributions	(439)
Net changes	21,510
Balance at December 31, 2020	\$ 111,322

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 7 - Other Post-Employment Benefits (OPEB) Plan - continued

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

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

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Increase in Discount Rate (3.00%)
City's Total OPEB Liability	\$ 145,312	\$ 111,322	\$ 86,691

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

For the year ended September 30, 2021, the City recognized OPEB expense of \$17,595. At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in assumption changes	\$ 30,152	\$ -
Differences between expected and actual experience	-	(14,323)
Contributions subsequent to the measurement date	3,874	-
	<u>\$ 34,026</u>	<u>\$ (14,323)</u>

The \$3,874 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will reduce the Total OPEB liability during the year ending September 30, 2022. The other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ended September 30,	Amount
2021	\$ 2,221
2022	2,221
2023	2,221
2024	2,221
2025	1,629
Thereafter	5,316
	<u>\$ 15,829</u>

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 8 - Risk Management

The City is exposed to various risks of loss relating to general liability, accidental loss of real and personal property damage to City assets, errors and omissions and personal risks which relate to workers' compensation. The City participates in the Texas Municipal Intergovernmental Risk Pool (the Pool). As an insured, the City is not obligated to reimburse the Pool for losses. Any losses, reported but unsettled or incurred and not reported, are believed to be insignificant to the City's financial statements.

Commercial insurance is purchased for the other risks of losses to which the City is exposed. There have been no significant reductions in insurance coverage in the current year and settlement amounts have not exceeded insurance coverage for each of the past three years.

Note 9 - Commitments and Contingencies

The City is not a party to any legal actions that are believed by administration to have a material effect on the financial condition of the City. Accordingly, no provision for losses has been recorded in the accompanying financial statements for such contingencies.

Note 10 - Interfund Activity

The interfund receivable and payable at September 30, 2021 are as follows:

	Interfund Receivable	Interfund Payable
Governmental:		
General Fund	\$ 814,435	\$ -
Other governmental	-	485,699
Internal Service	-	50,000
Water and Sewer Fund	-	270,582
Garbage Fund	-	8,154
Total governmental funds	<u>\$ 814,435</u>	<u>\$ 814,435</u>

The interfund transfers for the year ended September 30, 2021 are as follows:

Transfers in:					
Non-major					
	Grant Fund	Governmental Funds	Water & Sewer Fund	Garbage Fund	Total
Transfers out:					
Governmental:					
General fund	\$ 76,322	\$ 1,276,879	\$ -	\$ -	\$ 1,353,201
Debt service fund	-	72,000	240,004	-	312,004
Subtotal governmental funds	<u>76,322</u>	<u>1,348,879</u>	<u>240,004</u>	<u>-</u>	<u>1,665,205</u>
Proprietary:					
Water and sewer fund	-	-	-	97,801	97,801
Subtotal enterprise funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>97,801</u>	<u>97,801</u>
Total	<u>\$ 76,322</u>	<u>\$ 1,348,879</u>	<u>\$ 240,004</u>	<u>\$ 97,801</u>	<u>\$ 1,763,006</u>

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Public Improvement Districts

On June 25, 2015, the City Council granted a petition by CADG Comanche 248, LLC in Resolution 709- 15 to authorize and provide for the creation of a public improvement district (PID), The Jackson Ridge Public Improvement District ("Jackson Ridge"). Jackson Ridge encompasses approximately 421.7 acres currently being developed as a portion of a residential development known as "Winn Ridge" that is expected to be approximately 1,406 single-family residential units. Jackson Ridge was created in accordance with Chapter 372 of the Texas Local Government Code.

On November 17, 2015, the City Council approved issuance of two Special Assessment Revenue Bonds. Series 2015 Jackson Ridge Public Improvement District Phase #1 in the amount of \$13,460,000 and Project & Phase #2-3 Major Improvement Project in the amount of \$10,255,000. In addition, for Phase 1, there is a trailing reimbursement agreement in the amount of \$540,000 for a total of \$14,000,000. On November 9, 2018, the City Council approved issuance of \$9,425,000 of Special Assessment Revenue Bonds, Series 2018 Jackson Ridge Public Improvement District Phase #2 Project. On July 27, 2021, the City Council approved the issuance of \$3,644,000 of Special Assessment Revenue Bonds, Series 2021 for the Jackson Ridge Phase 3A Project. These Special Assessment Revenue Bonds are special and limited obligations of the City payable solely from the pledged revenues and other funds comprising the Trust Estate, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing power of the City and are payable solely from the sources identified in the indenture. The owners of the bonds shall never have the right to demand payment thereof out of money raised or to be raised by taxation, or out of any funds of the City other than the Trust Estate, as and to the extent provided in the respective indentures; and, no owner of the bonds shall have the right to demand any exercise of the City's taxing power to pay the principal of the bonds or the interest or redemption premium, if any, thereon. The City shall have no legal or moral obligation to pay the bonds out of any funds of the City other than the Trust Estate in accordance with the Texas Local Government Code.

The proceeds from the bond issue are being used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the special benefit of Jackson Ridge; funding a reserve fund; funding capitalized interest; payment of a portion of the costs incidental to the organization of Jackson Ridge; and payment of the cost of issuance of the bonds. The City is not, and will not be obligated to provide any funds to finance construction of authorized improvements. All design and construction costs of Jackson Ridge's authorized public improvements will be paid from Jackson Ridge assessments and from other sources of funds, if any, to the extent provided in the Trust Indenture.

On March 21, 2017, the City Council granted a petition by CADG Aubrey 107, LLC in Resolution 764- 17 to authorize and provide for the creation of a public improvement district, The Winn Ridge South Public Improvement District ("Winn Ridge South"). Winn Ridge South encompasses approximately 107.6 acres currently being developed as a portion of a residential development known as "Winn Ridge" that is expected to be approximately 340 single-family residential units. Winn Ridge South was created in accordance with Chapter 372 of the Texas Local Government Code.

On October 24, 2017, the City Council approved issuance of \$8,000,000 of Special Assessment Revenue Bonds, Series 2017 Winn Ridge South Public Improvement Project. The Special Assessment Revenue Bonds are special and limited obligations of the City payable solely from the pledged revenues and other funds comprising the Trust Estate, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing power of the City and are payable solely from the sources identified in the indenture. The owners of the bonds shall never have the right to demand payment thereof out of money raised or to be raised by taxation, or out of any funds of the City other than the Trust Estate, as and to the extent provided in the indenture; and, no owner of the bonds shall have the right to demand any exercise of the City's taxing power to pay the principal of the bonds or the interest or redemption premium, if any, thereon. The City shall have no legal or moral obligation to pay the bonds out of any funds of the City other than the Trust Estate in accordance with the Texas Local Government Code.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 11 - Public Improvement Districts (continued)

The proceeds from the bond issue are being used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the special benefit of Winn Ridge South; funding a reserve fund; funding capitalized interest; payment of a portion of the costs incidental to the organization of Winn Ridge South; and payment of the cost of issuance of the bonds. The City is not, and will not be obligated to provide any funds to finance construction of authorized improvements. All design and construction costs of Winn Ridge South's authorized public improvements will be paid from Winn Ridge South assessments and from other sources of funds, if any, to the extent provided in the Trust Indenture.

On November 1, 2018, \$425,000 Jackson Ridge Public Improvement District Phase #1 Special Assessment Revenue Bonds Series 2015 and \$865,000 Jackson Ridge Public Improvement District Phases #2-3 Major Improvement Project Special Assessment Revenue Bonds Series 2015 were redeemed with unexpended funds pursuant to the Indenture.

Total bond principal outstanding for all Special Revenue Bond issues of the PIDs, after redemption, is \$41,704,000 at September 30, 2021. In addition, there is an additional reimbursement agreement of \$535,520 as of September 30, 2021

Proceeds of the bonds were deposited into trust accounts with Wilmington Trust, N.A. for the purpose of funding improvements in the projects described above. Wilmington Trust serves as trustee, for the benefit of the bond holders, for these funds as well as any and all other property or money of every name and nature, which is, from time to time hereafter by delivery or in writing of any kind, conveyed, pledged, assigned or transferred to trustee. The City is not obligated in any manner for this special assessment debt but merely acts as the property owner's agent in handling the debt service transactions by collecting any special assessment tax collections and forwarding them to the bondholders. The collections have begun. Assessments collections for the City's Special Assessment Revenue Bonds are on time and complete at year-end.

Note 12 - Tax Increment Reinvestment Zone

The City Council created Tax Increment Reinvestment Zone Number One (TIRZ#1) on March 21, 2017 for a portion of the Winn Ridge multi-phase residential development of approximately 421.7 acres. The City also created the Jackson Ridge PID in June 2015 to finance certain public infrastructure improvements. The Jackson Ridge PID and TIRZ#1 boundaries are contiguous as the goal of the TIRZ#1 is to assist with financing of the public improvements. The City issued two series of Special Assessment Revenue Bonds Series 2015 in the amounts of \$13,460,000 and \$10,255,000 that is secured solely from assessment revenues generated within the Jackson Ridge PID.

CITY OF AUBREY, TEXAS

NOTES TO THE BASIC FINANCIAL STATEMENTS (continued)

Note 13 – Prior Period Adjustment

During the fiscal year-ended September 30, 2021, the City implemented GASB Statement No. 84, “*Fiduciary Activities*”. The purpose of this statement enhances the consistency and comparability by establishing specific criteria for identifying activities that should be reported as fiduciary activities. The implementation resulted in a prior period adjustment related to the debt of the Jackson Ridge and Winn Ridge South Public Improvement District’s (PID). The addition of the debt to the government-wide statement of net position had an end result of a deficit net position. Per previous agreements, one-third of the assets created with the debt would be conveyed to the City, rather than one hundred percent of the assets which would offset the related debt. The full result of the implementation is illustrated below:

	Statement of Revenues, Expenditures and Changes in Fund Balance -		
	Statement of Activities	Governmental Funds	
	Governmental Activities	PID - Jackson Ridge	Non-major Governmental Funds
Net position as of September 30, 2020 as previously reported	\$ 23,947,288	\$ -	\$ -
Assets and liabilities of public improvement districts	5,132,911	3,649,075	1,483,836
Special assessment revenue bonds payable (PIDs)	(38,730,000)	-	-
Accrued interest related to special assessment revenue bonds	(223,888)	-	-
Net position as of September 30, 2020 as restated	<u>\$ (9,873,689)</u>	<u>\$ 3,649,075</u>	<u>\$ 1,483,836</u>

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF AUBREY, TEXAS

GENERAL FUND

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

BUDGET AND ACTUAL (GAAP BASIS)

For the Year Ended September 30, 2021

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues				
Taxes				
Property	\$ 1,167,474	\$ 1,167,474	\$ 1,079,631	\$ (87,843)
Sales	750,000	750,000	1,348,662	598,662
Franchise	394,800	394,800	512,881	118,081
Licenses and permits	1,680,110	3,085,478	3,552,866	467,388
Contributions and grants	148,300	148,300	182,489	34,189
Charges for services	3,788,707	3,788,707	4,258,773	470,066
Fines and forfeitures	274,895	274,895	256,176	(18,719)
Investment earnings	12,007	12,007	6,140	(5,867)
Miscellaneous	454,796	454,796	502,934	48,138
Total Revenues	8,671,089	10,076,457	11,700,552	1,624,095
Expenditures				
Public safety	5,589,266	5,616,899	5,159,846	457,053
Development, planning and code enforcement	991,074	2,232,567	1,997,817	234,750
Administrative	666,306	783,349	756,832	26,517
Library	325,760	328,558	296,965	31,593
Public works	147,402	146,257	92,091	54,166
Municipal court	99,316	99,316	90,698	8,618
Animal control	24,025	24,022	24,022	-
Debt service:				
Principal retirement	133,666	126,314	126,314	-
Interest and fiscal charges	39,862	39,862	39,862	-
Capital outlay	682,300	889,065	499,122	389,943
Total Expenditures	8,698,977	10,286,209	9,083,569	1,202,640
Excess (deficiency) of revenues over expenditures	(27,888)	(209,752)	2,616,983	2,826,735
Other Financing Sources (Uses)				
Sale of general capital assets	-	-	8,233	8,233
Transfers out	27,888	27,888	(1,353,201)	(1,381,089)
Total Other Financing Sources (Uses)	27,888	27,888	(1,344,968)	(1,372,856)
Net change in fund balances	\$ -	\$ (181,864)	\$ 1,272,015	\$ 1,453,879

CITY OF AUBREY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

September 30, 2021

Note A. Budgetary Process

The official budget was prepared for adoption for the General Fund. The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to the beginning of the fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called for the purpose of adopting the proposed budget. At least ten days' public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the City Council.
- d. Once a budget is approved, it can be amended only by approval of a majority of the members of the City Council.
- e. As required by law, such amendments are made before the fact, are reflected in the official minutes of the City Council and are not made after fiscal year end.
- f. All budget appropriations lapse at year end.

CITY OF AUBREY, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SEVEN MEASUREMENT YEARS

	Measurement Year December 31,			
	2020	2019	2018	2017
Total Pension Liability				
Service cost	\$ 550,664	\$ 449,443	\$ 367,421	\$ 256,423
Interest (on the total pension liability)	303,142	263,546	226,417	201,266
Changes of benefit terms	-	-	-	169,046
Difference between expected and actual experience	14,020	(69,859)	15,241	(64,519)
Change of assumptions	-	(8,405)	-	-
Benefit payments, including refunds of employee contributions	(81,259)	(116,206)	(83,851)	(68,262)
Net Change in Total Pension Liability	786,567	518,519	525,228	493,954
Total Pension Liability - Beginning	4,256,291	3,737,772	3,212,544	2,718,590
Total Pension Liability - Ending (a)	\$ 5,042,858	\$ 4,256,291	\$ 3,737,772	\$ 3,212,544
Plan Fiduciary Net Position				
Contributions - employer	\$ 269,625	\$ 218,311	\$ 178,913	\$ 81,743
Contributions - employee	307,388	249,295	201,349	170,300
Net investment income	328,087	531,596	(96,941)	372,111
Benefit payments, including refunds of employee contributions	(81,259)	(116,206)	(83,851)	(68,262)
Administrative expense	(2,120)	(3,001)	(1,875)	(1,928)
Other	(83)	(90)	(98)	(98)
Net Change in Plan Fiduciary Net Position	821,638	879,905	197,497	553,866
Plan Fiduciary Net Position - Beginning	4,315,379	3,435,474	3,237,977	2,684,111
Plan Fiduciary Net Position - Ending (b)	\$ 5,137,017	\$ 4,315,379	\$ 3,435,474	\$ 3,237,977
Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (94,159)	\$ (59,088)	\$ 302,298	\$ (25,433)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	101.87%	101.39%	91.91%	100.79%
Covered Payroll	\$ 4,391,257	\$ 3,561,351	\$ 2,863,762	\$ 2,432,856
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	-2.14%	-1.66%	10.56%	-1.05%

Notes to the schedule:

- 1) No significant factors to disclose
- 2) No significant methods and assumptions to disclose
- 3) Schedule will be built out to 10 years

CITY OF AUBREY, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SEVEN MEASUREMENT YEARS

	Measurement Year December 31,		
	2016	2015	2014
Total Pension Liability			
Service cost	\$ 226,389	\$ 192,323	\$ 162,253
Interest (on the total pension liability)	166,098	143,711	124,435
Changes of benefit terms	-	-	-
Difference between expected and actual experience	(367)	7,651	25,549
Change of assumptions	-	102,393	-
Benefit payments, including refunds of employee contributions	(42,090)	(68,745)	(35,066)
Net Change in Total Pension Liability	350,030	377,333	277,171
Total Pension Liability - Beginning	2,368,560	1,991,227	1,714,056
Total Pension Liability - Ending (a)	\$ 2,718,590	\$ 2,368,560	\$ 1,991,227
Plan Fiduciary Net Position			
Contributions - employer	\$ 43,388	\$ 21,346	\$ 8,018
Contributions - employee	150,354	138,207	127,730
Net investment income	160,444	3,367	118,111
Benefit payments, including refunds of employee contributions	(42,090)	(68,745)	(35,066)
Administrative expense	(1,812)	(2,051)	(1,233)
Other	(98)	(101)	(101)
Net Change in Plan Fiduciary Net Position	310,186	92,023	217,459
Plan Fiduciary Net Position - Beginning	2,373,925	2,281,902	2,064,443
Plan Fiduciary Net Position - Ending (b)	\$ 2,684,111	\$ 2,373,925	\$ 2,281,902
	\$ 34,479	\$ (5,365)	\$ (290,675)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	98.73%	100.23%	114.60%
Covered Payroll	\$ 2,147,908	\$ 1,974,570	\$ 1,824,717
Net Pension Liability/(Asset) as a Percentage of Covered Payroll	1.61%	-0.27%	-15.93%

Notes to the schedule:

- 1) No significant factors to disclose
- 2) No significant methods and assumptions to disclose
- 3) Schedule will be built out to 10 years

CITY OF AUBREY, TEXAS
REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM (UNAUDITED)
LAST SEVEN FISCAL YEARS

	Fiscal Year				
	2021	2020	2019	2018	2017
Actuarially determined contribution	\$ 308,230	\$ 249,229	\$ 211,715	\$ 149,172	\$ 76,527
Contributions in relation to the actuarially determined contribution	308,230	249,229	211,715	149,172	76,527
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,997,345	\$ 4,060,574	\$ 3,426,395	\$ 2,676,800	\$ 2,389,827
Contributions as a percentage of covered payroll	6.17%	6.14%	6.18%	5.57%	3.20%

	Fiscal Year	
	2016	2015
Actuarially determined contribution	\$ 41,372	\$ 33,859
Contributions in relation to the actuarially determined contribution	41,372	33,859
Contribution deficiency (excess)	\$ -	\$ -
Covered payroll	\$ 2,166,200	\$ 1,974,570
Contributions as a percentage of covered payroll	1.91%	1.71%

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

Notes to Required Supplementary Information – Pension:

Notes to Schedule of Contributions

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rate:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	23 years
Asset Valuation Method	10 Year Smoothed Market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014 - 2018.
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP. Pre-retirement: PUB(10) mortality tables, with Public Safety table used for males and the General Employee table used for females. Rates projected on fully generational basis with scale UMP.

Other Information:

There were no benefit changes during the year.

The information in this schedule has been determined as of the measurement date (December 31) of the City's net pension liability and is intended to show information for 10 years. However, until a full 10-year trend is compiled in accordance with the provisions of GASB 68, only periods of which such information is available are presented.

CITY OF AUBREY, TEXAS

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS

FOR LAST FOUR MEASUREMENT YEARS

	Measurement Year December 31,			
	2020	2019	2018	2017
Total OPEB Liability				
Service cost	\$ 12,735	\$ 8,191	\$ 9,164	\$ 7,055
Interest on the total OPEB liability	2,639	2,389	2,199	1,901
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	(12,653)	1,727	(7,137)	-
Change of assumptions	19,228	17,393	(5,467)	6,410
Benefit payments	(439)	(356)	(286)	(243)
Net Change in Total OPEB Liability	21,510	29,344	(1,527)	15,123
Total OPEB Liability - Beginning	89,812	60,468	61,995	46,872
Total OPEB Liability - Ending (a)	\$ 111,322	\$ 89,812	\$ 60,468	\$ 61,995
 Covered Payroll	 \$ 4,391,257	 \$ 3,561,351	 \$ 2,863,762	 \$ 2,432,856
 Total OPEB Liability as a Percentage of Covered Payroll	 2.54%	 2.52%	 2.11%	 2.55%

Notes to the schedule:

- 1) No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits
- 2) No significant methods and assumptions to disclose
- 3) Schedule will be built out to 10 years

CITY OF AUBREY, TEXAS

REQUIRED OTHER POST-EMPLOYMENT BENEFITS SUPPLEMENTARY INFORMATION

SCHEDULE OF CONTRIBUTION TO OPEB PLAN

FOR LAST FOUR MEASUREMENT YEARS

	2021	2020	2019	2018
Actuarially determined contribution	\$ 6,103	\$ 6,182	\$ 5,507	\$ 4,208
Contributions in relation to the actuarially determined contribution	\$ 6,103	6,182	5,507	4,208
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 4,997,345	\$ 4,060,574	\$ 3,426,395	\$ 2,676,800
Contributions as a percentage of covered payroll	0.12%	0.15%	0.16%	0.16%

NOTES TO SCHEDULE OF CONTRIBUTIONS:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full ten-year trend is compiled, only available information is shown.

Valuation Timing:

Actuarially determined contribution rates are calculated on a calendar year basis as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method Entry Age Normal

Inflation 2.50%

Salary Increases 3.5% to 11.5% including inflation

Discount Rate 2.00%

Retirees' share of benefit-related costs \$0

Administrative expenses All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

Mortality:

Service Retirees 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.

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

Other Information:

Notes There were no benefit changes during the year.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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[Form of Bond Counsel Opinion]

[Date]

\$8,170,000
CITY OF AUBREY, TEXAS
COMBINATION TAX AND
REVENUE CERTIFICATES OF OBLIGATION,
SERIES 2023

WE HAVE represented the City of Aubrey, Texas (the "Issuer"), as its bond counsel in connection with an issue of certificates of obligation (the "Certificates") described as follows:

CITY OF AUBREY, TEXAS, COMBINATION TAX AND REVENUE CERTIFICATES OF OBLIGATION, SERIES 2023, dated January 15, 2023, in the principal amount of \$8,170,000.

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

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

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Certificates, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the Issuer; customary certificates of officers, agents and representatives of the Issuer and other public officials and other certified showings relating to the authorization and issuance of the Certificates. We also have analyzed such laws, regulations, guidance, documents and other materials as we have deemed

necessary to render the opinions herein. We have also examined executed Certificate No. 1 of this issue.

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

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

- (A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Certificates in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Certificates constitute valid and legally binding obligations of the Issuer;
- (B) A continuing ad valorem tax upon all taxable property within the Town necessary to pay the principal of and interest on the Certificates, has been levied and pledged irrevocably for such purposes, within the limit prescribed by law, and the total indebtedness of the Issuer, including the Certificates, does not exceed any constitutional, statutory or other limitations. In addition, the Certificates are further secured by a limited pledge of the surplus net revenues of the Issuer's waterworks and sewer system as provided in the Ordinance; and
- (C) Interest on the Certificates is excludable from gross income for federal income tax purposes under section 103 of the Internal Revenue Code of 1986, as amended. In addition, interest on the Certificates is not an item of tax preference for purposes of the alternative minimum tax on individuals, but we observe that such interest is taken into account in computing the alternative minimum tax on certain corporations for tax years beginning after December 31, 2022.

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

Except as stated above, we express no opinion as to the amount of interest on the Certificates or any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or the acquisition, ownership or disposition of, the Certificates. This opinion is specifically limited to the laws of the State of Texas and, to the extent applicable, the laws of the United States of America. Further, in the event that the representations of the Issuer and other parties upon which we relied are determined

to be inaccurate or incomplete or the Issuer fails to comply with the covenants of the Ordinance, interest on the Certificates could become includable in gross income for federal income tax purposes from the date of the original delivery of the Certificates, regardless of the date on which the event causing such inclusion occurs.

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

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services
Provided By

