OFFICIAL STATEMENT
Dated: August 18, 2020

NEW ISSUE: Book-Entry-Only | **S&P Insured Rating "AA"** **(See "RATINGS" herein)**

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

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

$990,000
CITY OF HAMILTON, TEXAS
(Hamilton County, Texas)
General Obligation Refunding Bonds, Series 2020B

Dated Date: September 1, 2020 | **Due: February 15, as shown on inside cover**

PAYMENT TERMS… Interest on the $990,000 City of Hamilton, Texas, General Obligation Refunding Bonds, Series 2020B (the "Bonds"), will accrue from their delivery date to the underwriter listed below (the "Underwriter") and will be payable February 15 and August 15 of each year, commencing on February 15, 2021. The Bonds will be issued only in fully registered form in principal denominations of $5,000 or any integral multiple thereof. Principal of the Bonds will be payable to the registered owner (the "Owner") at maturity or prior redemption upon presentation at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. The Bonds will be initially registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"). DTC will be responsible for distributing the principal and interest payments to the participating members of DTC and the participating members will be responsible for distributing the payment to the owners of beneficial interests in the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.

PURPOSE… Proceeds from the sale of the Bonds will be used to refund certain obligations of the City described in Schedule I (the "Refunded Obligations") for debt service savings and to pay the costs associated with the issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds" herein.

REDEMPTION… The Bonds maturing on and after February 15, 2030, are subject to optional redemption in whole or in part on February 15, 2029, or on any date thereafter at a redemption price equal to the principal amount thereof plus accrued interest as more fully described herein. Additionally, the Bonds maturing on February 15, 2032 are subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Optional Redemption" and " – Mandatory Redemption" herein.

SECURITY AND SOURCE OF PAYMENT… The Bonds will constitute direct obligations of the City of Hamilton, Texas (the "City"), payable from ad valorem taxes levied against all taxable property within the City within the limits prescribed by law as provided in the ordinance authorizing the Bonds.

BAM
BUILD AMERICA MUTUAL

Insurance The scheduled payment of principal and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). 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").

See Principal Amounts, Maturities, Interest Rates, and Prices on the Inside Cover Page

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LEGALITY… *The Bonds are offered when, as and if issued, subject to the approval of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Bond Counsel, Houston, Texas. Certain legal matters will be passed upon for the Underwriter by its counsel, Naman Howell Smith & Lee, PLLC, Austin, Texas.*

DELIVERY… *The Bonds are expected to be available for delivery to the Underwriter through DTC on or about September 15, 2020.*

FROST BANK

MATURITY SCHEDULE

$990,000 General Obligation Refunding Bonds, Series 2020B

CUSIP NO.[c] Prefix 407855

$295,000 Serial Bonds

Maturity (02/15)[a]	Principal Amount	Interest Rate	Initial Yield/Price[b]	Price[b]	CUSIP Suffix[c]
2021	$ 30,000	3.000%	0.850%	100.891	AN5
2022	30,000	3.000%	0.950%	102.877	AP0
2023	30,000	3.000%	1.050%	104.640	AQ8
2024	30,000	3.000%	1.150%	106.180	AR6
2025	35,000	3.000%	1.250%	107.496	AS4
2026	35,000	3.000%	1.350%	108.589	AT2
2027	35,000	3.000%	1.450%	109.463	AU9
2028	35,000	3.000%	1.550%	110.121	AV7
2029	35,000	3.000%	1.650%	110.567	AW5

$695,000 TERM BONDS

$695,000 3.000% Term Bond due February 15, 2032, Priced to Yield 1.700%, CUSIP Suffix No. AX3[a][b][c]

(a) The Bonds maturing on and after February 15, 2030, are subject to optional redemption, in whole or in part, on February 15, 2029 or any date thereafter, at a price equal to the par value thereof, plus accrued interest from the most recent interest payment date to the date or redemption. Additionally, the Bonds Maturing on February 15, 2032 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity. (See "THE BONDS – Optional Redemption" and "– Mandatory Redemption").

(b) The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed.

(c) CUSIP numbers have been assigned to this issue by the CUSIP Global Services managed by Standard and Poor's Financial Services LLC on behalf of the American Bankers Association and are included solely for the convenience of the purchasers of the Bonds. Neither the City, the Financial Advisor, nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

CITY OF HAMILTON, TEXAS

CITY COUNCIL

Jim McInnis	Mayor
Todd Jordan	Mayor Pro-Tem
Justin Stone	Councilmember
Cody Morris	Councilmember
George Beard	Councilmember
Shelley Voges	Councilmember

ADMINISTRATIVE OFFICERS

Ryan Polster	City Administrator
Misty Boatwright	City Secretary
Connie Z. White	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Orrick, Herrington & Sutcliff LLP, Houston, Texas	Bond Counsel
Boucher, Morgan and Young, P.C., Stephenville, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Ryan Polster
City Administrator
City of Hamilton, Texas
200 E. Main Street
Hamilton, Texas 76531
(254) 386-8116, ext 6
adm@ci.hamilton.tx.us

Jake Lawrence
Government Capital Securities Corporation
559 Silicon Drive, Suite 102
Southlake, TX 76092
(817) 722-0220
jlawrence@govcapsecurities.com

USE OF INFORMATION IN OFFICIAL STATEMENT

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

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

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

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

The agreements of the City and others related to the Bonds 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 Bonds is to be construed as constituting an agreement with the purchasers of the Bonds. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL SCHEDULES AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

Neither the City, the Financial Advisor nor the Underwriter make any representation as to the accuracy, completeness or adequacy of the information contained in this Official Statement regarding The Depository Trust Company or its Book-Entry-Only System.

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 "Appendix E - Specimen Municipal Bond Insurance Policy."

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BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Build America Mutual Assurance Company ("BAM") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit 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 Bonds, 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 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Bonds 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 Bonds, nor does it guarantee that the rating on the Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of June 30, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $488.7 million, $143.6 million and $345.1 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 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".

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 buildamerica.com/creditinsights/. (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 buildamerica.com/obligor/. 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 Bonds, 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 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

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SUMMARY STATEMENT

This Summary Statement is subject in all respects to the more complete information contained in this Official Statement. The offering of the Bonds to potential investors is made only by means of this entire Official Statement, including the schedules and appendices hereto. No person is authorized to detach this Summary Statement from this Official Statement or to otherwise use it without this entire Official Statement including the Appendices hereto.

The Issuer	The City of Hamilton, Texas (the "City"), is located in Hamilton County, Texas. For information regarding the City, see Appendices A and B.
The Bonds	$990,000 General Obligation Refunding Bonds, Series 2020B, dated September 1, 2020, maturing on the dates and in the amounts set forth on the inside front cover of this Official Statement. Interest on the Bonds will accrue from their date of delivery and will be paid semiannually on February 15 and August 15, commencing February 15, 2021, until maturity or prior redemption.
Purpose of Bonds	Proceeds from the sale of the Bonds will be used to refund certain obligations of the City described in Schedule I (the "Refunded Obligations") for debt service savings and to pay the costs associated with the issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds" herein.
Authorization and Security	The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds and a pricing certificate executed pursuant thereto. The Bonds are payable from ad valorem taxes to be levied, within the limits prescribed by law, on all taxable property within the City as provided in the ordinance authorizing the Bonds.
Optional Redemption	The Bonds maturing on and after February 15, 2030, are subject to optional redemption in whole or in part on February 15, 2029, or on any date thereafter at a price of par plus accrued interest as more fully described herein. See "THE BONDS – Optional Redemption" herein.
Mandatory Redemption	The Bonds maturing on February 15, 2032 are subject to mandatory sinking fund redemption prior to maturity. See "THE BONDS – Mandatory Redemption" herein.
Tax Exemption	In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. In the further opinion of Bond Counsel interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds (See "TAX MATTERS")
Qualified Tax Exempt Obligations	The City has designated the Bonds as "qualified tax-exempt obligations". (See "TAX MATTERS – PURCHASE OF TAX-EXEMPT OBLIGATIONS BY FINANCIAL INSTITUTIONS" herein.)

Ratings	S&P Global Ratings, a Standard and Poor's Financial Services LLC business ("S&P"), has assigned a rating of "AA" to the Bonds based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. No application has been made for an underlying rating of the Bonds. An explanation of the significance of such rating may be obtained from S&P. See "RATINGS" herein
Book-Entry-Only System	The Bonds are initially issuable only to Cede & Co., the nominee of The Depository Trust Company, New York, New York, pursuant to the book-entry only system described herein. Beneficial ownership of the Bonds may be acquired in principal denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the purchasers thereof. Principal of, premium if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the DTC Participants (as defined herein) for subsequent remittance to the owners of the beneficial interests in the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" herein.
Payment Record	The City has never defaulted on the payment of its bonded indebtedness.

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SELECTED FINANCIAL INFORMATION
(Unaudited)

2019-2020 Certified Taxable Assessed Valuation………………………………………………...			$145,157,026 [a]
City Debt:			
Outstanding Tax Supported Debt (as of August 18, 2020)……………………..….			$2,817,000 [b]
Plus: The Bonds……………………………………………………………....			$990,000
Less: The Refunded Obligations			$1,013,000
Total Tax Supported Debt………………………………………………………….			$2,794,000
Debt Service Fund Balance (as of Sept. 30, 2019)………………………………………..			$0.00
	% of 2019-20 Assessed Valuation	2018 Per Capita (3016)	
Debt Ratios:			
Direct Tax Supported Debt…………….	1.92%	$926	
2019-20 Tax Rate (per $100 of Assessed Valuation)			
Maintenance and Operation			$0.5852
Debt Service ………………………………………………………………………			$0.0000
Total ………………………………………………………………………………			$0.5852
Estimated Annual Debt Service Requirements…………………………………………..			
Average…………………………………………………………………………			$ 267,223
Maximum (2025)…………………………………………………………………			$ 278,453
Tax Collections			
Tax Year 2018 (fiscal year ending September 30, 2019…………………………………………………………………			100.26%
Total Collections………………………………………………………………..			100.26%

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(a) Provided by the Hamilton County Appraisal District (the "Appraisal District") and net of exemptions. Such value is further subject to changes as additions, corrections and deletions are made to the tax roll.

(b) Includes the City's General Obligation Refunding Bonds, Series 2020A which were issued on August 17, 2020.

OFFICIAL STATEMENT
RELATING TO

$990,000
CITY OF HAMILTON, TEXAS
(Hamilton County, Texas)
General Obligation Refunding Bonds, Series 2020B

INTRODUCTORY STATEMENT

This Official Statement, which includes the cover page, the schedules and the appendices hereto, provides certain information regarding the issuance by the City of Hamilton, Texas (the "City") of $990,000 General Obligation Refunding Bonds, Series 2020B (the "Bonds").

The Bonds will be authorized to be issued, sold and delivered by an ordinance enacted by the City's governing body (the "City Council") and the pricing certificate executed pursuant thereto (collectively the "Ordinance"). Capitalized terms used in this Official Statement have the same meaning assigned to such terms in the Ordinance, except as otherwise indicated herein.

The City is a political subdivision of the State of Texas (the "State") and a municipal corporation organized and existing under the laws of the State. For information regarding the City, see Appendices A and B of this Official Statement.

All financial and other information presented in this Official Statement has been provided by the City, 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 to be repeated in the future.

THE BONDS

Purpose

Proceeds from the sale of the Bonds will be used to refund certain obligations of the City described in Schedule I (the "Refunded Obligations") for debt service savings and to pay the costs associated with the issuance of the Bonds. See "THE BONDS – Sources and Uses of Funds" herein.

Authorization

The Bonds are issued pursuant to the general laws of the State, including particularly Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City authorizing the issuance of the Bonds and a pricing certificate executed pursuant thereto.

Security for the Bonds

The Bonds are payable from ad valorem taxes to be levied and collected, within the limits prescribed by law, on all taxable property within the City as provided in the Ordinance.

Optional Redemption

The City reserves the right, at its option, to redeem the Bonds having stated maturities on and after February 15, 2029, in whole or in part, in integral multiples of $5,000, on February 15, 2030 or any date thereafter, such redemption date or dates to be fixed by the City, at a redemption price equal to the principal amount thereof plus accrued interest to the date fixed for redemption. If less than all of the Bonds are to be redeemed, the City shall determine the maturity or maturities and the amounts thereof to be redeemed and shall direct the Paying Agent/Registrar (as defined herein) to select by lot the Bonds, or portions thereof, within each maturity to be redeemed.

Mandatory Redemption

The Bonds maturing on February 15, 2032 (the "Term Bonds") are subject to mandatory sinking fund redemption prior to maturity in part by lot at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the redemption date in the years and in the principal amounts specified in the sinking fund redemption schedule set forth below:

Term Bonds Stated to Mature February 15, 2032

Mandatory Redemption Date (2/15)	Principal Amount ($)
2030	225,000
2031	230,000
2032*	240,000

***Maturity**

The particular Term Bonds to be mandatorily redeemed shall be selected by lot or other customary random selection method. The principal amount of any Term Bonds to be mandatorily redeemed on such Mandatory Redemption Date shall be reduced by the principal amount of such Term Bonds which, by the 45th day prior to such Mandatory Redemption Date, either has been purchased in the open market and delivered or tendered for cancellation by or on behalf of the District to the Paying Agent/Registrar or optionally redeemed and which, in either case, has not previously been made the basis for a reduction under this sentence.

Notice of Redemption

Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to each registered owner of a Bond 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. If notice is so given and sufficient funds are provided for the payment of the redemption price of the Bonds, interest shall cease to accrue after the date fixed for redemption whether or not the Bonds have been submitted for payment. 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, AND THE FUNDS NECESSARY TO REDEEM SUCH BONDS HAVING BEEN PROVIDED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

The Paying Agent/Registrar and the City, so long as a Book-Entry Only System is used for the Bonds, will send any notice of redemption, notice of proposed amendment to the Ordinance or other notices with respect to the Bonds only to DTC. Any failure by DTC to advise any DTC participant, or of any DTC participant or indirect participant to notify the beneficial owner, shall not affect the validity of the redemption of the Bonds called for redemption or any other action premised on any such notice. Redemption of portions of the Bonds by the City will reduce the outstanding principal amount of such Bonds held by DTC.

In such event, DTC may implement, through its Book-Entry Only System, a redemption of such Bonds 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 Bonds from the beneficial owners.

Any such selection of Bonds 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 Bonds or the providing of notice to DTC participants, indirect participants, or beneficial owners of the selection of portions of the Bonds for redemption (see "THE BONDS – Book-Entry Only System").

Sources and Uses of Funds

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

Sources of Funds	
Principal Amount of Bonds	$990,000.00
Original Issue Premium	91,122.35
Total Sources of Funds	1,081,122.35
Uses of Funds	
Cash Refunding Escrow Deposit	$1,016,798.75
Costs of Issuance	27,990.00
Underwriter's Discount	21,975.00
Bond Insurance	9,361.69
Deposit to Debt Service Fund	4,996.91
Total Uses of Funds	$1,081,122.35

GENERAL INFORMATION REGARDING THE BONDS

General Description

The Bonds will be dated September 1, 2020 (the "Dated Date"), and will be issued in fully registered form in principal denominations of $5,000 or any integral multiple thereof. The Bonds will bear interest from the date of delivery to the underwriter listed on the cover page hereof (the "Underwriter"), and interest will be paid semiannually on each February 15 and August 15, commencing February 15, 2021. Interest will accrue on the Bonds on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be issued as book-entry only securities pursuant to arrangements made with The Depository Trust Company, New York, New York. See "BOOK-ENTRY-ONLY SYSTEM."

Principal of the Bonds will be payable to the registered owners (the "Owners") at maturity or prior redemption upon presentation and surrender of such Bonds at the principal corporate office of the paying agent/registrar (the "Paying Agent/Registrar"), initially UMB Bank, N.A., Austin, Texas. Interest on the Bonds will be payable by check dated as of the interest payment date and mailed by the Paying Agent/Registrar to Owners as shown on the records of the Paying Agent/Registrar on the Record Date (see "REGISTRATION, TRANSFER AND EXCHANGE – Record Date for Interest Payment" herein), or by such other customary banking arrangement, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the Owner. If the date for the payment of the principal of or interest on a Bond shall be a Saturday, Sunday, legal holiday, or a day on which 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 a day on which 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.

The Bonds will mature on the dates, in the amounts and bear interest at the rates as set forth on inside cover page of this Official Statement.

Legality

The Bonds are offered when, as and if issued, subject to the approvals of legality by the Attorney General of the State of Texas and Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Bond Counsel. (See "LEGAL MATTERS" and Appendix C – "Form of Opinion of Bond Counsel").

Defeasance

The Ordinance provides that the City may defease the Bonds and discharge its obligation to the holders of any or all of the Bonds to pay the principal of and interest thereon in any manner now or hereafter permitted by law, including by depositing with the Registrar or with the Comptroller of the State of Texas either: (a) cash in an amount equal to the principal amount of and interest thereon to the date of maturity or redemption; or (b) pursuant to an escrow or trust agreement, cash and/or (i) direct noncallable obligations of United States of America, including obligations that are unconditionally guaranteed by the United States of America; (ii) 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 Board 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; or (iii) 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 Board 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, which, in the case of (i), (ii), or (iii), may be in book entry form, and the principal of and interest on which will, when due or redeemable at the option of the holder, without further investment or reinvestment of either the principal amount thereof or the interest earnings thereon, provide money in an amount which, together with other moneys, if any, held in such escrow at the same time and available for such purpose, shall be sufficient to provide for the timely payment of the principal of and interest thereon to the date of maturity or earlier redemption; provided, however, that if any of the Bonds are to be redeemed prior to their respective dates of maturity, provision shall be made for the giving of notice of redemption as provided in the Ordinance. Any surplus amount not required to accomplish such defeasance shall be returned to the City.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds 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 Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds 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 authorize.

Amendments to the Ordinance

In the Ordinance, the City has reserved the right to amend such Ordinance without the consent of any holder of the Bonds in any manner not detrimental to the interests of the holders of the Bonds, including the curing of any ambiguity, defect or omission therein.

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

OWNERSHIP

The City, the Paying Agent/Registrar and any other person may treat the person in whose name any Bond is registered as the absolute owner of such Bond for the purpose of making and receiving payment of principal and interest, and for all other purposes, whether or not such Bond is overdue, and neither the City nor the Paying Agent/Registrar will be bound by any notice or knowledge to the contrary.

All payments made to the person deemed to be the owner of any Bond in accordance with the Ordinance will be valid and effectual and will discharge the liability of the City and the Paying Agent/Registrar upon such Bond to the extent of the sums paid.

OWNER'S REMEDIES

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

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

BOOK-ENTRY-ONLY SYSTEM

This section describes how ownership of the Bonds is to be transferred and how the principal of, premium, if any, and interest on the Bonds are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take 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 Bonds, 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 Bonds), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the United States Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct

Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities Bonds. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of "AA+". The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

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

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

Principal, interest, and redemption payments on the Bonds 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 the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name", and will be the responsibility of such Participant and not of DTC, 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 principal, interest, and redemption payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

Use of Certain Terms in Other Sections of this Official Statement

In reading this Official Statement it should be understood that while the Bonds 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 Bonds, 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.

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

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

UMB Bank, N.A., Austin, Texas has been named to serve as initial Paying Agent/Registrar for the Bonds. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. If the City replaces the Paying Agent/Registrar, such Paying Agent/Registrar shall, promptly upon the appointment of a successor, deliver the Paying Agent/Registrar's records to the successor Paying Agent/Registrar, and the successor Paying Agent/Registrar shall act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar selected by the City shall be a commercial bank; a trust company organized under applicable law; or other entity duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar for the Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

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

Future Registration

In the event the book-entry only system should be discontinued, printed Bonds will be delivered to the Owners and thereafter the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the Owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond will be delivered by the Paying Agent/Registrar in lieu of the Bond being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered Owner at the Owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered Owner or assignee of the Owner after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the Owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be of like kind and in authorized denominations and for a like aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" for a description of the system to be utilized initially in the settlement and transfer of the Bonds.

Record Date for Interest Payment

The record date ("Record Date") for the interest payable on any interest payment date is the close of the last Business Day of the month next preceding such interest payment date, as specified in the Ordinance. In the event of a nonpayment 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 5 days prior to the Special Record Date by United States mail, first class, postage prepaid, to the address of each Owner of a Bond appearing on the 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.

Limitation on Transfer of Bonds

Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Bond, or any portion thereof, called for redemption prior to maturity within 45 days prior to its redemption date, provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Replacement of Bonds

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

AD VALOREM PROPERTY TAXATION

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

Valuation of Taxable Property

The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Hamilton County Appraisal District (the "Appraisal District"). Except as described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three years. A taxing unit may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property 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"). The 10% increase is cumulative, meaning the maximum increase is 10% times the number of years since the property was last appraised. See Table 1 for the reduction in taxable valuation attributable to the 10% Homestead Cap.

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

The appraisal values set by the Appraisal District are subject to review and change by the Appraisal Review Board. The appraisal rolls, as approved by the Appraisal Review Board, are used by taxing units, such as the City, in establishing their tax rolls and tax rates. See "AD VALOREM PROPERTY TAXATION – 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 for the reduction in taxable valuation 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 market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See Table 1 for the reduction in taxable valuation, 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 for the reduction in taxable valuation attributable to the freeze on taxes for the elderly and disabled.

Personal Property

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

Freeport Exemptions

Certain goods detained in the State for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication ("Freeport Property") are exempt from ad valorem taxation unless a taxing unit took official action to tax Freeport Property before April 1, 1990 and has not subsequently taken official action to exempt Freeport Property. Decisions to continue to tax Freeport Property may be reversed in the future; decisions to exempt Freeport Property are not subject to reversal. Certain goods, principally inventory, that are stored for the purposes of assembling, storing, manufacturing, processing or fabricating the goods in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days ("Goods-in-Transit"), are exempt from ad valorem taxation unless a taxing unit takes official action by January 1 of the year preceding a tax year, after holding a public hearing, to tax Goods-in-Transit beginning the following tax year. Goods-in-Transit and Freeport Property do not include oil, natural gas or petroleum products, and Goods-in-Transit does not include special inventories such as motor vehicles or boats in a dealer's retail inventory. A taxpayer may receive only one of the Goods-in-Transit or Freeport Property exemptions for items of personal property. See Table 1 for the reduction in taxable valuation, if any, attributable to Goods-in-Transit or Freeport Property 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 "AD VALOREM PROPERTY TAXATION" City Application of Property Tax Code" for descriptions of any TIRZ created in the City.

Tax Abatement Agreements

Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years. See "AD VALOREM PROPERTY TAXATION – City Application of Property Tax Code" for descriptions of any of the City's tax abatement agreements. See Table 1 for the reduction in taxable valuation, if any, attributable to tax abatement agreements.

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

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

Debt Tax Rate Limitations

All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax-supported debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $1.50 per $100 of Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

City's Rights in the Event of Tax Delinquencies

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

Issuer and Taxpayer 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.

City Application of the Property Tax Code

The City currently grants an exemption of $20,000 of the market value of the residence homestead for persons 65 years of age or older and an exemption of $20,000 of the market value of the residence homestead for persons that are disabled.

The City does not grant an additional exemption for residence homesteads.

The City taxes only business personal property.

The Hamilton County Appraisal District collects property taxes for the City. The City does not permit split payments and does not allow discounts.

The City has no outstanding abatement agreements and does not participate in a TIRZ.

RETIREMENT PLAN

The City provides pension benefits for all of its eligible employees through a non-traditional, joint contributory, hybrid defined benefit plan in the statewide Texas Municipal Retirement System, an agent multi-employer public employee retirement system. For a discussion of the Retirement Plan, see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2019."

INVESTMENT POLICIES

Accounting Principles Generally Accepted in the United States

The City policy is to adhere to accounting principles generally accepted in the United States (see Appendix D "Audited Financial Statements for the Fiscal Year Ended September 30, 2019").

Legal Investments

Under State law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than "A" or its equivalent; (6) bonds issued, assumed or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor, or the National Credit Union Share Insurance Fund or its successor; (8) interest-bearing banking deposits other than those described by clause (7) if (A) the funds invested in the banking deposits are invested through: (i) a broker with a main office or branch office in this State that the City selects from a list the governing body of the City or designated investment committee of the City adopts as required by Section 2256.025, Texas Government Code; or (ii) a depository institution with a main office or branch office in the State that the City selects; (B) the broker or depository institution selected as described by (A) above arranges for the deposit of the funds in the banking deposits in one or more federally insured depository institutions, regardless of where located, for the City's account; (C) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States; and (D) the City appoints as the City's custodian of the banking deposits issued for the City's account: (i) the depository institution selected as described by (A) above; (ii) an entity described by Section 2257.041(d), Texas Government Code; or (iii) a clearing broker dealer registered with the SEC and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of Chapter 2256, Texas Government Code (the "Public Funds Investment Act"), that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for District deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d), Texas Government Code, or a clearing broker-dealer registered with the SEC and operating pursuant to SEC Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the certificates of deposit; (10) fully collateralized repurchase agreements as defined in the Public Funds Investment Act, that have a defined termination date, are secured by a combination of cash and obligations described in clauses (1) or (13) in this paragraph or corporate bonds as described below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than "A" or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) below, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less; (12) certain bankers' acceptances with stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated not less than "A-1" or "P-1" or the equivalent by at least one nationally recognized credit rating agency; (13) commercial paper with a stated maturity of 365 days or less that is rated not less than "A-1" or "P-1" or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (14) no-load money market mutual funds registered with and regulated by the SEC that provide the City with a prospectus and other information required by the Securities Exchange Act of 1934 or the Investment Company Act of 1940 and that comply with federal SEC Rule 2a-7 (17 C.F.R. Section 270.2a-7), promulgated under the Investment Company Act of 1940 (15 U.S.C. Section 80a-1 et seq.); and (15) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and have either (a) a duration of one year or more and invest exclusively in obligations described in under this heading, or (b) a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset-backed securities. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities, other than the prohibited obligations described below, in an amount at least equal to the amount of bond proceeds invested under such contract.

A political subdivision such as the City may enter into securities lending programs if (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (8) above, other than the prohibited obligations described below, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (13) through (15) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

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

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAAm or an equivalent by at least one nationally recognized rating service. The City may also contract with an investment management firm registered under the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-1 et seq.) or with the State Securities Board to provide for the investment and management of its public funds or other funds under its control for a term up to two years, but the City retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the City must do so by order, ordinance, or resolution.

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

Investment Policies

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

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

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a written instrument by rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and recording any changes made to either its investment policy or investment strategy; (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 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 or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Current Investments

As of September 30, 2019, the City's investment portfolio was invested in the following categories. As of such date, the market value of such investments was approximately 100% of their book value.

Type of Investment	Amount
TexPool	$1,130,957
Cash Deposits	$1,236,556
Total	$2,367,513

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic, which disaster declaration was extended in both April and May. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. Due to a recent spike in COVID-19 cases, recent executive orders modified the phased reopening of businesses in Texas, subject to further restrictions in the Governor's discretion. For example, Executive Order GA-28 (as amended by Executive Order GA-29), which was issued on June 26, 2020, and remains in effect until modified, amended, rescinded or superseded by the Governor, established occupancy limits to 50 percent for most businesses in Texas, limited bars and similar establishments to drive-through, pickup or delivery options, and made most outdoor gatherings of more than 100 people subject to approval by local authorities, subject to exceptions outlined in the order. Businesses otherwise subject to a 50 percent occupancy limit and located in a county meeting certain Department of State Health Services criteria are eligible to operate at up to 75 percent of occupancy.

The pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. The Bonds are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's operations and maintenance expenses. See "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operations Tax Rate Limitations" and "Debt Tax Rate Limitations."

The City continues to monitor the spread of COVID-19 and is working with local, state, and national agencies to address the potential impact of the Pandemic upon the City. While the potential impact of the Pandemic on the City cannot be quantified at this time, the continued outbreak of COVID-19 could have an adverse effect on the City's operations and financial condition.

EXPOSURE TO OIL AND GAS INDUSTRY

Recent declines in oil prices in the United States and globally may lead to adverse conditions in the oil and gas industry. Such adverse conditions may result in reduced revenues, declines in capital and operating expenditures, business failures, and the layoff of workers within the oil and gas industry. In the past, the greater Houston area has been particularly affected by adverse conditions in the oil and gas industry, and adverse conditions in the oil and gas industry and spillover effects into other industries could adversely impact the businesses of ad valorem property taxpayers and the property values in the City, resulting in a reduction in property tax revenue. The Bonds are secured by an unlimited ad valorem tax, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds.

RATINGS

S&P Global Ratings, a Standard and Poor's Financial Services LLC business ("S&P"), has assigned a rating of "AA" to the Bonds based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. No application has been made to S&P, Moody's Investor Service., Inc., or any other similar rating service for an underlying rating on the Bonds, nor is it anticipated any such rating will be applied for in the future.

PENDING LITIGATION

There is no material litigation currently pending against the City.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinions of the Attorney General of the State of Texas to the effect that the Bonds are valid and binding obligations of the City, and based upon examination of such transcripts of proceedings, the approving legal opinions of Bond Counsel to the effect that (i) the Bonds issued in compliance with the provisions of the Ordinance are valid and legally binding obligations of the City and (ii) the interest on the Bonds is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions (see "TAX MATTERS"). Bond Counsel has not been engaged to investigate the financial resources of the City or its ability to provide for payment of the Bonds, and the opinion of Bond Counsel will make no statement as to such matters, or any other information that may have been relied on by anyone in making the decision to purchase the Bonds. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds are contingent on the sale and delivery of the Bonds. The applicable legal opinion will be printed on or attached to the definitive Bonds.

Bond Counsel has reviewed the statements and information appearing in the Official Statement under the captions "THE BONDS" (except the subcaption "Sources and Uses of Funds"), "GENERAL INFORMATION REGARDING THE BONDS," "REGISTRATION, TRANSFER AND EXCHANGE," "AD VALOREM PROPERTY TAXATION – Public Hearing and Maintenance and Operation Tax Rate Limitations," "LEGAL MATTERS," "TAX MATTERS," "LEGAL INVESTMENTS IN TEXAS," "REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE" and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings") fairly summarizes the procedures and documents referred to therein and is correct as to matters of law. Bond Counsel has not independently verified any of the factual information contained in this Official Statement nor have they conducted an investigation of the affairs of the City for the purpose of passing upon the accuracy, completeness, or fairness of this Official Statement. No person is entitled to rely upon such firm's limited participation as an assumption of responsibility for, or an expression of opinion of any kind with regard to, the accuracy, completeness, or fairness of any of the information contained herein.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 (the "Code"). Bond Counsel is of the further opinion that interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix C hereto.

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

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

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

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

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

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

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

LEGAL INVESTMENTS IN TEXAS

Under the Texas Public Security Procedures Act (Texas Government Code, Chapter 1201), the Bonds (1) are negotiable instruments, (2) are investment securities to which Chapter 8 of the Texas Uniform Commercial Code applies, and (3) are legal and authorized investments for (A) an insurance company, (B) a fiduciary or trustee, or (C) a sinking fund of a municipality or other political subdivision or public agency of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and political subdivisions, and are legal security for those deposits to the extent of their market value. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency before such Bonds are eligible investments for sinking funds and other public funds. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with at least $1 million of capital and savings and loan associations.

The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

REGISTRATION AND QUALIFICATION OF ISSUE FOR SALE

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

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations, because the City does not have outstanding more than $10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule). Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board ("MSRB"). This information will be available free of charge from the MSRB via Electronic Municipal Market Access ("EMMA") system at www.emma.msrb.org.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB annually in an electronic format as prescribed by the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included this Official Statement, but only to the extent that such information is customarily prepared by the City and publicly available. Currently, the only information that is customarily prepared by the City and publicly available consists of an annual audit of the City's financial statements. The City will update and provide this information within twelve months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX D or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

The City will also provide timely notices of certain events to the MSRB (not in excess of ten (10) days after the occurrence of the event). The City will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of a trustee, if material; (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. (Neither the Bonds nor the Ordinance make any provision for debt service reserves, liquidity enhancement, or credit enhancement). In addition, the City will provide timely notice of any failure by the

City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports".

All documents provided to the MSRB shall be accompanied by identifying information, as prescribed by the MSRB.

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 the Bonds at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of the Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

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

Compliance with Prior Undertakings

The City has not been subject to a continuing disclosure obligation for the past 5 years.

OTHER INFORMATION

Financial Advisor

In its role as Financial Advisor, Government Capital Securities Corporation has relied on the City for certain information concerning the City and the Bonds. The fee of the Financial Advisor for services with respect to the Bonds is contingent upon the issuance and sale of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

The Financial Advisor 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.

Audited Financial Statements

Boucher, Morgan and Young, P.C., the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Boucher, Morgan and Young, P.C. relating to City's financial statements for the fiscal year ended September 30, 2019 is included in this Official Statement in APPENDIX D; however, Boucher, Morgan and Young, P.C. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

Underwriting

Frost Bank, the Underwriter, has agreed to purchase the Bonds from the City for $1,059,147.35 (being the principal amount of the Bonds, plus an original issue premium of $91,122.35, less an Underwriter's discount of $21,975.00).

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

Forward-Looking Statements

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 obligations to update any such forward-looking statements. It is important to note that the City's actual results could differ materially from those in such forward-looking statements.

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

Concluding Statement

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

The City has reviewed and approved the Official Statement and said instrument has been authorized for use and distribution by the Underwriter for the purpose of offering the Bonds.

/s/ Jim McInnis
Mayor, City of Hamilton, Texas

ATTEST:

/s/ Misty Boatwright
Secretary, City of Hamilton, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS*

Series to be Refunded	Maturity Date	Interest Rate	Par Amount	Call Date	Call Price
Certificates of Obligation, Series 2006					
SERIAL	02/15/2021	4.500%	21,000	09/15/2020	100.000
	02/15/2022	4.500%	22,000	09/15/2020	100.000
	02/15/2023	4.500%	23,000	09/15/2020	100.000
	02/15/2024	4.500%	24,000	09/15/2020	100.000
	02/15/2025	4.500%	25,000	09/15/2020	100.000
	02/15/2026	4.500%	27,000	09/15/2020	100.000
	02/15/2027	4.500%	28,000	09/15/2020	100.000
	02/15/2028	4.500%	29,000	09/15/2020	100.000
	02/15/2029	4.500%	30,000	09/15/2020	100.000
	02/15/2030	4.500%	32,000	09/15/2020	100.000
	02/15/2031	4.500%	33,000	09/15/2020	100.000
	02/15/2032	4.500%	35,000	09/15/2020	100.000
	02/15/2033	4.500%	36,000	09/15/2020	100.000
	02/15/2034	4.500%	38,000	09/15/2020	100.000
	02/15/2035	4.500%	39,000	09/15/2020	100.000
	02/15/2036	4.500%	41,000	09/15/2020	100.000
	02/15/2037	4.500%	43,000	09/15/2020	100.000
	02/15/2038	4.500%	45,000	09/15/2020	100.000
	02/15/2039	4.500%	47,000	09/15/2020	100.000
	02/15/2040	4.500%	49,000	09/15/2020	100.000
	02/15/2041	4.500%	51,000	09/15/2020	100.000
	02/15/2042	4.500%	54,000	09/15/2020	100.000
	02/15/2043	4.500%	56,000	09/15/2020	100.000
	02/15/2044	4.500%	59,000	09/15/2020	100.000
	02/15/2045	4.500%	61,000	09/15/2020	100.000
	02/15/2046	4.500%	65,000	09/15/2020	100.000
			1,013,000		

APPENDIX A

FINANCIAL INFORMATION REGARDING THE CITY OF HAMILTON, TEXAS

FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION **TABLE 1**

2019-20 Total Value of Taxable Property		$167,682,870
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 1,147,491	
Disabled and Deceased Veterans' Exemptions	216,200	
Productivity Value Loss	854,310	
Homestead 10% Cap Adjustment	4,611,113	
Abatement	0	
Freeport	0	
Total Exempt Property	15,696,730	
Other		22,525,844
2019-20 Net Taxable Assessed Valuation (100% of Actual)[a]		$145,157,026

[a] *See "AD VALOREM PROPERTY TAXATION - City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*
Source: Hamilton County Central Appraisal District

PRINCIPAL TAXPAYERS **TABLE 2**

Name	Type of Business	2019-20 Net Taxable Assessed Valuation	% of Total 2019-20 Assessed Valuation*
Texas-New Mexico Power Co	Electric Utility	$5,693,560	3.92%
Pederson's Natural Farms Inc.	Farm	5,093,970	3.51%
Paul & Susan Odom	Residential	4,421,730	3.05%
Karan Associates LLC	Nursing Homes	2,762,900	1.90%
Pederson's Natural Farms Inc.	Farm	1,422,920	0.98%
The Beverly P. Dick Trust	Grocery Store	1,394,760	0.96%
Brookshire Brothers Inc.	Grocery Store	1,292,690	0.89%
Atmos Energy/Mid-Tex Distribut.	Oil & Gas	1,262,120	0.87%
Anna Hansen	Residential	1,249,880	0.86%
Riley-Gardner Memorial	Residential	1,212,410	0.84%
Total		$25,806,940	17.78%

* Based on 2019-20 Net Taxable Assessed Valuation of $145,157,026.

Source: Texas Comptroller of Public Accounts and Hamilton County Central Appraisal District

PROPERTY TAX RATES AND COLLECTIONS[a] TABLE 3

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total[b]	Fiscal Year Ended
2015	$133,312,959	$0.4588	99.41%	99.41%	9-30-16
2016	134,815,058	0.4889	99.47%	99.47%	9-30-17
2017	134,950,142	0.5275	99.98%	99.98%	9-30-18
2018	136,402,076	0.5633	100.26%	100.26%	9-30-19
2019	145,157,026	0.5852	In process		9-30-20

(a) *See "AD VALOREM PROPERTY TAXATION - The City Application of the Property Tax Code" in the Official Statement for a description of the City's taxation procedures.*

(b) *Excludes interest and penalties.*

Source: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Hamilton County Central Appraisal District, and the City's 2019 Annual Financial Statements.

Note: Assessed Valuations may change during the year due to various supplements and protests, and valuations on a later date or in other tables of this Official Statement may not match those shown on this table.

TAX RATE DISTRIBUTION TABLE 4

	2019-20	2018-19	2017-18	2016-17	2015-16
Maintenance & Operations	$0.5852	$0.5633	$0.5275	$0.4889	$0.4588
I & S Fund	0.0000	0.0000	0.0000	0.0000	0.0000
TOTAL	$0.5852	$0.5633	$0.5275	$0.4889	$0.4588

Source: The City

PRO FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 5**

Fiscal Year 30-Sept	Outstanding Debt Service Requirements[(a)]	Less: Refunded Bonds	Debt Service Requirements General Obligation Refunding Bonds, Series 2020B[(a)]			Total Debt Service Requirements
			Principal	Interest	Total	
2021	$ 285,342.09	$ 66,112.50	$ 30,000.00	$ 33,416.67	$ 56,775.00	$ 276,004.59
2022	286,129.25	66,145.00	30,000.00	35,600.00	58,350.00	278,334.25
2023	282,468.65	66,132.50	30,000.00	34,700.00	57,450.00	273,786.15
2024	282,724.85	66,075.00	30,000.00	33,700.00	56,550.00	273,199.85
2025	283,850.10	65,972.50	35,000.00	32,700.00	60,575.00	278,452.60
2026	283,830.50	66,802.50	35,000.00	31,600.00	59,525.00	276,553.00
2027	282,688.00	66,565.00	35,000.00	30,400.00	58,475.00	274,598.00
2028	282,432.70	66,282.50	35,000.00	29,200.00	57,425.00	273,575.20
2029	285,027.35	65,955.00	35,000.00	28,000.00	56,375.00	275,447.35
2030	66,560.00	66,560.00	225,000.00	23,000.00	242,475.00	242,475.00
2031	66,097.50	66,097.50	230,000.00	14,000.00	240,650.00	240,650.00
2032	66,567.50	66,567.50	240,000.00	4,700.00	243,600.00	243,600.00
2033	65,970.00	65,970.00	-	-	-	-
2034	66,305.00	66,305.00	-	-	-	-
2035	65,572.50	65,572.50	-	-	-	-
2036	65,772.50	65,772.50	-	-	-	-
2037	65,882.50	65,882.50	-	-	-	-
2038	65,902.50	65,902.50	-	-	-	-
2039	65,832.50	65,832.50	-	-	-	-
2040	65,672.50	65,672.50	-	-	-	-
2041	65,422.50	65,422.50	-	-	-	-
2042	66,060.00	66,060.00	-	-	-	-
2043	65,585.00	65,585.00	-	-	-	-
2044	65,997.50	65,997.50	-	-	-	-
2045	65,297.50	65,297.50	-	-	-	-
2046	66,462.50	66,462.50	-	-	-	-
Total	$3,675,453.49	$1,717,002.50	$990,000.00	$258,225.00	$1,248,225.00	$3,206,675.99

[(a)]Includes the City's General Obligation Refunding Bonds, Series 2020A which were issued on August 17, 2020.

APPENDIX B

GENERAL INFORMATION REGARDING
THE CITY OF HAMILTON, TEXAS

General

The City of Hamilton (the "City") is a General Law Type A municipality. The City is in a sparsely populated region of the State of Texas located at the intersection of U.S. Highway 281 and State Highway 36. However, the City is near three metropolitan areas: 70 miles west of Waco, 100 miles south of Fort Worth and 115 miles northwest of Austin. The City is the county seat and principal commercial center of Hamilton County, Texas. The City provides services including streets, sanitation, police protection, fire protection, recreational facilities and the residents are served by the Hamilton Independent School District.

Hamilton County

Hamilton County (the "County") was founded in 1856 and is located in the Edwards Plateau in Central Texas. The County is bounded on the north by Comanche, Erath and Bosque counties, on the west by Mills County, and on the south by Lampasas and Coryell counties. The County covers approximately 844 square miles and has a population of around 8,500. The two largest towns in the County are Hamilton and Hico.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

________________, 2020

City of Hamilton, Texas
General Obligation Refunding Bonds, Series 2020B

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the City of Hamilton, Texas (the "City") in connection with the issuance of $____________ aggregate principal amount of bonds designated as "City of Hamilton, Texas General Obligation Refunding Bonds, Series 2020B" (the "Bonds"). The Bonds are authorized by an ordinance adopted by the City Council (the "City Council") on July 9, 2020 (the "Ordinance"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Ordinance.

In such connection, we have reviewed the Ordinance, the tax certificate of the City dated the date hereof (the "Tax Certificate"), certificates of the City, and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the City. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Ordinance and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Ordinance and the Tax Certificate and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases, and to the limitations on legal remedies against cities in the State of Texas. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute a penalty), right of set-off, arbitration, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents. Our services did not include financial or other non-legal advice.

Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute the valid and binding obligations of the City.

2. The City Council has power and is obligated to levy an annual ad valorem tax, within the limits prescribed by law, upon taxable property located within the City, which taxes have been pledged irrevocably to pay the principal of and interest on the Bonds.

3. Interest on the Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986. Interest on the Bonds is not a specific preference item for purposes of the federal alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

APPENDIX D

AUDITED FINANCIAL STATEMENTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2019

CITY OF HAMILTON, TEXAS

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED

SEPTEMBER 30, 2019

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Boucher, Morgan and Young, a P.C.

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and members
of the City Council
City of Hamilton, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of City of Hamilton, Texas as of and for the year ended September 30, 2019, 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, and each major fund of the City of Hamilton, Texas, as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Texas Municipal Retirement System pension schedules, Texas Municipal Retirement System OPEB schedules, and budgetary comparison information on pages 4 through 10, 49 through 50, 51 and 48 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.

Boucher, Morgan & Young

Stephenville, Texas
February 4, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF HAMILTON, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Hamilton (the City), we offer the readers of the City's financial statements this narrative overview, management discussion and analysis (MD&A) of our financial activities for the year ended September 30, 2019. We encourage readers to consider the information presented here in conjunction with the City's financial statements.

Hamilton is located in the center of Hamilton County (both were named after South Carolina Governor James Hamilton), situated in the Pecan Creek Valley in Central Texas, at the intersection of U.S. Highway 281 and State Highway 36. Although Hamilton is located in a sparsely populated region of the state, it is near three metropolitan areas: 70 miles west of Waco, 100 miles south of Fort Worth, and 115 miles northwest of Austin. Hamilton was designated as the county seat when it was founded in 1858. Unlike many communities that were established solely as railroad stops, Hamilton did not receive rail service until 1908, by which time it boasted a population of over 1,400. Hamilton grew through the early 20th Century and at one time supported five cotton gins. By 1950 Hamilton's population reached 3,000. A population decline throughout the 1950's and 1960's can be attributed to the termination of rail service, a flood in the 1950's, and changing farm patterns. There was significant growth in the 1970's, and the population of Hamilton reached 3,189. The economic downturn of the next decade led to another decline in population. By 1990 Hamilton reported 2,937 residents. The most recent census, 2010, documented a population increase of 158 people. Residents cite continuing growth as families and retirees move into the area from larger cities and metropolitan areas.

The City of Hamilton was incorporated in 1909, and is a General Law Type A municipality. Policymaking and legislative authorities are vested in a governing body consisting of a mayor and five council members. The council is responsible for passing ordinances, adopting the budget, appointing committees, and hiring both the city's administrator and attorney. The administrator is responsible for carrying out policies and ordinances of the governing body, for overseeing the day-to-day operations of the city, and for appointment of all other employees. The mayor and all of the council members are elected at large and do not represent any one district.

The annual budget serves as the foundation for the City of Hamilton's financial planning and control. All departments of the City of Hamilton are required to submit request for appropriation to the City Administrator. The Administrator uses these requests as the starting point for developing a proposed budget. The Mayor presents this budget to the Council for review in July. The budget is modified by Council and is adopted by no later than September 30, the close of the fiscal year. No purchase over the appropriated amount budgeted may be made without approval of the Council. Budget-to-actual comparisons are provided for Council review each month.

The City of Hamilton provides a full range of services including streets, sanitation, police protection, fire protection, recreational facilities, and other infrastructure within the city. Water and wastewater services are provided as a department of the City of Hamilton and therefore have been included as an integral part of the financial statements. The City of Hamilton is also financially accountable for a legally separate economic development corporation, which is reported discretely within the financial statements.

Waste Connections provides sanitation services to the City of Hamilton. The sanitation contract is for five years which expires December 31, 2024. The City renewed the contract with Progressive Waste for five years beginning January 1, 2020.

The availability of adequate water supply and delivery is vital to any community's life and growth. The average citizen expects water to be available, good quality and in the quantity desired. Response to these demands requires considerable planning, effort, and investment in infrastructure. The City presently utilizes surface water from Lake Proctor which is treated by the Upper Leon River Municipal Water District to provide potable water for approximately 1,500 services within the City and 600 gallons per minute (gpm) to the Multi-County Water Supply Corporation (MCWSC). The City has one (1) ground storage reservoir, two (2) elevated tanks, and one (1) standpipe. The City's water system is divided in two (2) pressure planes with the upper plane being served by one (1) in-line booster station and the standpipe at Fair Park.

The City of Hamilton operates and maintains its entire wastewater system. A wastewater system must provide for the collection of waste from the residential and commercial sections of the city. The existing wastewater collection system that serves the City of Hamilton has been in service for many years and has been extended as necessary. The system consists mainly of vitrified clay tile (V.C.T.) sewer pipe with newer lines being PVC. Pipe sizes range in diameter from 6" up to 16," but consist mainly of 6" and 8" lines. Depth of the collection system ranges from 1' to approximately 16' depth with a medium depth of 5' to 7' in a majority of the lines. The 16" trunk sewer extends from the wastewater plant toward the City southward along Pecan Creek to Whitney Street. The majority of lines in the collection system have sufficient grades to maintain self-cleaning velocities. These lines are in "relatively" good condition. The City's wastewater collection system contains three (3) lift stations. All three (3) stations are with submersible pumps and have been constructed within the last 20 years. They are located at Jones and Elm Streets in the southeast corner of the City, at the north end of Navajo Trail in Indian Oaks and at the Wastewater Plant site. These stations are in relatively good condition and therefore no improvements to them are suggested. The manholes in the system and old clay pipe take in a large amount of water during periods of high rainfall. The existing Hamilton WWTP consists of an influent screening unit, and influent flow measurement (Parshall Flume), a grit basin, a raw water lift station, an oxidation ditch (aeration basin), three (3) final clarifiers, beltpress and sludge drying beds. The existing facility was constructed in 1990 and expanded in 2009. The facility does not treat any industrial waste, and therefore does not have any special treatment facilities. The WWTP is permitted for 880,000 gallons per day.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. There are two government-wide statements: the statement of net position and the statement of activities.

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

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., arbitrage rebate owed but not due until a future year and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government, public safety, airport, sanitation, cultural and recreation and library. The business-type activities of the City include water, wastewater and solid waste.

The government-wide financial statements include not only the City of Hamilton (the primary government) but also the legally separate Hamilton Economic Development Corporation (HEDC) (the component unit). Financial information for HEDC is reported separately from the financial information reported for the City of Hamilton. The government-wide financial statements can be found on pages 13-14 of this report.

*Fund Financial Statements***.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into two categories: governmental funds and proprieta ry funds.

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

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

The City maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund and the Capital Projects Fund, both of which are considered to be major funds.

The City adopts an annual legally appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

The governmental fund financial statements can be found on pages 15-17 of this report.

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

The proprietary fund financial statements can be found on pages 19-21 of this report.

*Notes to the Financial Statements***.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-46 of this report.

Financial Highlights

The City's assets exceeded its liabilities at the close of September 30, 2019 by $6.3 million of which $5.2 million is invested in the capital assets, net of related debt. The governmental activities comprised $3.3 million and the business-type activities comprised $3 million of the total net position.

Unrestricted cash and investments as of September 30, 2019 were $1.09 million in the governmental activities and $1.06 million in the business-type activities.

The overall decrease in the City's net position for the year ended September 30, 2019 was $105 thousand.

City's Financial Analysis

Comparative information between the current year and the prior year is presented below.

CITY OF HAMILTON'S NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Current and Other Assets	$ 1,606,617	$ 1,237,907	$ 1,244,405	$ 1,423,853	$ 2,851,022	$ 2,661,760
Capital Assets	2,653,976	2,900,317	5,567,623	5,882,940	8,221,599	8,783,257
Total Assets	4,260,593	4,138,224	6,812,028	7,306,793	11,072,621	11,445,017
Deferred Outflows	237,112	89,071	144,549	84,915	381,661	173,986
Total Assets and Deferred Outflows	4,497,705	4,227,295	6,956,577	7,391,708	11,454,282	11,619,003
Current Liabilities	211,308	363,202	535,941	464,176	747,249	827,378
Non-Current Liabilities	902,274	682,590	3,396,829	3,545,144	4,299,103	4,227,734
Total Liabilities	1,113,582	1,045,792	3,932,770	4,009,320	5,046,352	5,055,112
Deferred Inflows	64,581	100,181	28,035	43,488	92,616	143,669
Total Liabilities and Deferred Inflows	1,178,163	1,145,973	3,960,805	4,052,808	5,138,968	5,198,781
Net Position:						
Net Investment in						
Capital Assets	2,391,972	2,529,311	2,777,623	2,903,943	5,169,595	5,433,254
Restricted:						
Court Technology	26,755	21,777	-	-	26,755	21,777
Airport Maintenance	14,603	102,741	-	-	14,603	102,741
Cemetery Maintenance	127,880	121,633	-	-	127,880	121,633
Unrestricted	758,332	305,860	218,149	434,957	976,481	740,817
Total Net Position	$ 3,319,542	$ 3,081,322	$ 2,995,772	$ 3,338,900	$ 6,315,314	$ 6,420,222

CITY OF HAMILTON'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Totals	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Fines, Fees, and Charges for Services	$ 1,098,010	$ 752,831	$ 2,303,667	$ 2,446,776	$ 3,401,677	$ 3,199,607
Operating Grants						
and Contributions	244,736	14,391	-	-	244,736	14,391
Capital Grants						
and Contributions	-	-	336,053	18,300	336,053	18,300
General Revenue:						
Property Taxes	770,381	711,743	-	-	770,381	711,743
Sales Tax	685,799	606,208	-	-	685,799	606,208
Franchise Taxes	157,838	149,758	-	-	157,838	149,758
Other Taxes	20,692	22,290	-	-	20,692	22,290
Investment Earnings	17,999	11,810	19,315	10,140	37,314	21,950
Miscellaneous	125,946	150,541	-	-	125,946	150,541
Total Revenues	3,121,401	2,419,572	2,659,035	2,475,216	5,780,436	4,894,788
Expenses:						
General Government	458,843	459,635	-	-	458,843	459,635
Public Safety	700,365	646,373	-	-	700,365	646,373
Highways and Streets	473,655	453,647	-	-	473,655	453,647
Airport	361,421	289,579	-	-	361,421	289,579
Sanitation	408,138	457,253	-	-	408,138	457,253
Culture and Recreation	249,411	199,732	-	-	249,411	199,732
Library	20,000	20,000	-	-	20,000	20,000
Economic Development	226,141	203,395	-	-	226,141	203,395
Interest on Debt	5,371	8,719	-	-	5,371	8,719
Water and Sewer	-	-	2,981,515	2,462,543	2,981,515	2,462,543
Total Expenses	2,903,345	2,738,333	2,981,515	2,462,543	5,884,860	5,200,876
Change in Net Position Before Transfers	218,056	(318,761)	(322,480)	12,673	(104,424)	(306,088)
Transfers	20,164	-	(20,648)	-	(484)	-
Change in Net Position	238,220	(318,761)	(343,128)	12,673	(104,908)	(306,088)
Net Position, Beginning	3,081,322	3,400,083	3,338,900	3,326,227	6,420,222	6,726,310
Net Position, Ending	$ 3,319,542	$ 3,081,322	$ 2,995,772	$ 3,338,900	$ 6,315,314	$ 6,420,222

The government's net position decreased by $104,908 during the fiscal year, compared to the prior year decrease of $306,088. Governmental activities had an increase in net position of $238,220 compared to the prior year decrease of $318,761. Business-type activities decreased the City's net position by $343,128 compared to an increase in the prior year of $12,673.

General Fund Budgetary Highlights

The City's General Fund operated with an original revenue budget total of $2,507,495 and a final budget of $2,704,295. The total expenses and other uses of the General Fund were $32,624 less than final budgeted expenditures for the year and actual revenues were $385,007 more than final budgeted revenues for the year. The General Fund experienced an increase in fund balance totaling $238,998 for the year. The City Council made revisions twice to the budget approved for fiscal year 2019. The first revision was for the Utility Fund and made possible an unbudgeted transfer of money that was set aside for the local match on a sewer line replacement project.

The second revision included the Utility, General and Airport Fund. In the General Fund it showed an increase of $122,800 due to increases in property tax, sales tax, Texas New Mexico Power franchise fees, court fines and miscellaneous income. The increase was offset by higher cost for Appraisal District services, Economic Development services, purchases of vehicles, signage, park water, insurance, contingency items, unbudgeted attorney cost, office supplies in Municipal Court, city council meeting and council travel and unbudgeted code enforcement personnel. The Utility Fund was increased for water sales to the General Fund and decreased for lab supplies. The Airport Fund was increased due to an insurance claim where the increase was spent to replace the airport beacon and fix the City's main hangar and lounge building. At year end, approximately one half of an expenditure for a sewage overflow added $28,887 of unexpected utility expenses in FY2019 and another $29,906 in FY2020. In the 2018-2019 Budget, property taxes were increased by 3.9% with the rollback rate of .5852 in order to provide for a fulltime animal control officer as well as other improvements. $89,263 was retained by diverting five dollars per connection to a discretionary fund in a TXPOOL investment. The fund was created as a Road Maintenance Fee and then changed to a discretionary fund for maintenance on roads and equipment due to water and sewer line repairs. The City was at work on three Community Development Block Grants in FY2019. The majority of the work on the first, a $293,496 CDBG with a local match of $31,452 replacing 1601 feet of sewer line from HWY36 to Pecan Creek Park Sports Complex, was completed in FY2019. The second is a $500,000 CDBG with a local match of $2,349,026 which will be paid by the Hamilton Hospital District. This is a CDBG Community Enhancement Fund designated to build an ophthalmology clinic for the Hospital District. The award for the City of Hamilton to receive a third $275,000 CDBG, wastewater treatment plant improvements, was acknowledged in FY2019 with the start date and local match of $41,250 to roll over into FY2020.

The City also worked on two grants for the Municipal Airport through TXDOT Aviation. The first awarded in FY2018 with improvements and final inspection in FY2019 was a $216,751.00 entrance road and apron improvement project with a local match from the City and Economic Development Corporation of $60,624. The second, planned in FY2019, City Council passed Resolution #21-19 for a $464,000 runway and taxiway improvements grant with a local match of $46,400. The local match for the runway and taxiway grant will take place in FY2020.

Economic Factors and Next Year's Budget and Rates

In the 2019-2020 General Fund revenues and transfers in are budgeted to decrease by $13,315 from the 2018-2019 revised budget. Certified assessed valuations increased by 8.28% from the preceding year. During the 2019-2020 budget year, the City will make the final local match payment to complete the sewer line Community Development Block Grant. Second, the City will begin making payments on a CDBG for sewer plant improvements in FY2020. Finally, the Hospital District will start building the ophthalmology clinic from the CDBG Community Enhancement Fund which the City is managing. The City will pay a $46,400 local match for a $464,000 runway and taxiway improvements grant at the Hamilton Municipal Airport in FY2020. The City received a grant for $30,291 to replace body cameras and vehicle cameras. This passthrough of funds will take place in the FY2020 budget. The unbudgeted final payment to Protect Environmental Services for a 2018-2019 sewer overflow was paid in FY2020 for $29,905.50. Insurance claim money for the airport in the amount of $155,958 will be invested to replace T-hangars which were damaged by a windstorm from June 9, 2019.

Capital Asset and Debt Administration

Over many years, the City has invested $24.7 million in capital assets, which, net of accumulated depreciation has a book value of $8.2 million in a broad range of capital assets, including a fire truck and early warning system, buildings, airport facilities, park facilities, roads, bridges and water and sewer lines. Current year additions included the following:

Sewer Line Project #7217180 ($293,496)
Utility Pickup ($32,132)
Code Vehicle - Ford Fusion ($11,870)
Utility Pickup Ford F-150 ($14,000)
Rotating Beacon ($16,660)
73" Roller Attachment ($12,200)
Dump Trailer ($7,900)
72" Brushcat Attachment ($5,432)

The governmental activities debt decreased from a total of $344 thousand to $250 thousand. Business-type activity debt, of which $3 million represents bonded debt backed by the full faith and credit of the City, decreased from a total of $3.6 million to $3.4 million during the year.

Contacting the City's Financial Management

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the city. Credit also goes to the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Hamilton's finances.

This financial report is designed to provide a general overview of the City's finances for all those with an interest. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Administrator, 200 E. Main, Hamilton, TX 76531, or by telephone 254-386-8116.

BASIC FINANCIAL STATEMENTS

CITY OF HAMILTON, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Cash and Investments	$ 1,091,685	$ 1,058,611	$ 2,150,296	$ 644,709
Receivables, Net of Allowance of $243,523 Governmental Activities and $113,422 Business-Type Activities	213,683	121,096	334,779	-
Taxes Receivable, Net of Allowance of $24,900	29,014	-	29,014	-
Intergovernmental Receivable	117,170	-	117,170	39,060
Other Assets	-	2,546	2,546	-
Restricted Assets:				
Cash and Investments	155,065	62,152	217,217	-
Notes Receivable	-	-	-	180,000
Capital Assets (Net of Accumulated Depreciation):				
Land and Improvements	274,875	17,578	292,453	99,600
Buildings	-	14,238	14,238	44,197
Airport	1,120,482	-	1,120,482	-
Park Improvements	367,570	-	367,570	-
Equipment	117,460	15,832	133,292	-
Equipment Under Capital Lease	157,947	-	157,947	-
Motor Vehicles	-	23,510	23,510	-
Infrastructure	603,901	5,496,465	6,100,366	-
Construction in Progress	11,741	-	11,741	-
Total Assets	4,260,593	6,812,028	11,072,621	1,007,566
DEFERRED OUTFLOWS:				
Deferred Loss on Refunding	-	41,625	41,625	-
Related to the TMRS pension	235,065	102,036	337,101	-
Related to the TMRS OPEB	2,047	888	2,935	-
	237,112	144,549	381,661	-
Total Assets and Deferred Outflows	4,497,705	6,956,577	11,454,282	1,007,566
LIABILITIES:				
Accounts Payable and Other Current Liabilities	138,630	178,722	317,352	-
Accrued Interest Payable	5,625	37,243	42,868	-
Internal Balances	1	-	1	-
Customer Deposits	-	62,152	62,152	-
Noncurrent Liabilities:				
Due Within One Year	67,052	257,824	324,876	-
Due in More than One Year	183,211	3,087,821	3,271,032	-
Accrued Compensated Absences	36,754	12,826	49,580	-
Net OPEB Liability	58,595	25,436	84,031	-
Net Pension Liability	623,714	270,746	894,460	-
Total Liabilities	1,113,582	3,932,770	5,046,352	-
DEFERRED INFLOWS:				
Related to the TMRS OPEB	591	257	848	-
Related to the TMRS pension	63,990	27,778	91,768	-
Total Liabilities and Deferred Inflows	1,178,163	3,960,805	5,138,120	-
NET POSITION				
Net Investment in Capital Assets	2,391,972	2,777,623	5,169,595	-
Restricted For:				
Court Technology	26,755	-	26,755	-
Airport Maintenance	14,603	-	14,603	-
Cemetery Maintenance	127,880	-	127,880	-
Economic Development	-	-	-	1,007,566
Unrestricted	758,332	218,149	976,481	-
Total Net Position	$ 3,319,542	$ 2,995,772	$ 6,315,314	$ 1,007,566

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	Expenses	Fines, Fees, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	Component Unit
PRIMARY GOVERNMENT:								
Governmental Activities:								
General Government	$ 458,843	$ 92,988	$ -	$ -	$ (365,855)	$ -	$ (365,855)	$ -
Public Safety	700,365	251,944	-	-	(448,421)	-	(448,421)	-
Highways and Streets	473,655	-	-	-	(473,655)	-	(473,655)	-
Airport	361,421	114,820	244,736	-	(1,865)	-	(1,865)	-
Sanitation	408,138	563,149	-	-	155,011	-	155,011	-
Culture and Recreation	249,411	8,377	-	-	(241,034)	-	(241,034)	-
Library	20,000	-	-	-	(20,000)	-	(20,000)	-
Economic Development and Assistance	226,141	66,732	-	-	(159,409)	-	(159,409)	-
Interest on Long-Term Debt	5,371	-	-	-	(5,371)	-	(5,371)	-
Total Governmental Activities	2,903,345	1,098,010	244,736	-	(1,560,599)	-	(1,560,599)	-
Business-type Activities:								
Water and Sewer	2,981,515	2,303,667	-	336,053.00	-	(341,795)	(341,795)	-
Total Business-Type Activities	2,981,515	2,303,667	-	336,053.00	-	(341,795)	(341,795)	-
Total Primary Government	$ 5,884,860	$ 3,401,677	$ 244,736	$ 336,053.00	(1,560,599)	(341,795)	(1,902,394)	-
COMPONENT UNIT:								
Economic Development Corporation	$ 188,625	$ -	$ 226,441	$ 293,409				331,225
Taxes:								
Property					770,381	-	770,381	-
Sales					685,799	-	685,799	-
Franchise					157,838	-	157,838	-
Other					20,692	-	20,692	-
Investment Earnings					17,999	19,315	37,314	4,771
Miscellaneous					125,946	(484)	125,462	-
Transfers					20,164	(20,164)	-	-
Total General Revenues and Transfers					1,798,819	(1,333)	1,797,486	4,771
Change in Net Position					238,220	(343,128)	(104,908)	335,996
Net Position - Beginning					3,081,322	3,338,900	6,420,222	671,570
Net Position - Ending					$ 3,319,542	$ 2,995,772	$ 6,315,314	$ 1,007,566

The accompanying notes are an integral part of this statement.

CITY OF HAMILTON, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General Fund	Capital Improvements Fund	Total Governmental Funds
ASSETS			
Assets:			
Cash and Investments	$ 1,090,017	$ 1,668	$ 1,091,685
Receivables, Net of Allowance of $1,747	85,527	-	85,527
Taxes Receivable, Net of Allowance of $27,614	29,014	-	29,014
Due from Other Governments	117,170	-	117,170
Restricted Assets:			
Cash and Investments	155,065	-	155,065
Total Assets and Other Debits	$ 1,476,793	$ 1,668	$ 1,478,461
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES:			
Liabilities:			
Accounts Payable	$ 64,575	$ -	$ 64,575
State Sales Tax Payable	39,060	-	39,060
Contract Amounts Payable	1	-	1
Accrued Liabilities Payable	34,994	-	34,994
Total Liabilities	138,630	-	138,630
Deferred Inflows:			
Deferred Property Taxes	29,014	-	29,014
Fund Balances:			
Restricted	169,238	-	169,238
Unassigned	1,139,911	1,668	1,141,579
Total Fund Balance	1,309,149	1,668	1,310,817
Total Liabilities, Deferred Inflows, and Fund Balance	$ 1,476,793	$ 1,668	$ 1,478,461

CITY OF HAMILTON

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

Total fund balances - governmental funds balance sheet	$ 1,310,817
Amounts reported for governmental activities in the statement of net position ("SNP") are different because:	
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.	2,653,976
Other long-term assets are not available to pay for current-period expenditures and, therefore, are not deferred in the funds.	157,170
Long-term liabilities, including capital leases and notes payable and the related interest payable are not due and payable in the current period and therefore are not reported in the fund financial statements	(292,642)
Included in noncurrent liabilities is the recognition of the City's net pension liability in the amount of $ 623,715, a deferred resource outflow related to related to TMRS of $ 235,065, and a deferred resource inflow related to TMRS of $ 63,990.	(452,639)
Included in noncurrent liabilities is the recognition of the City's net OPEB liability in the amount of $ 58,595, a deferred resource outflow related to the OPEB of $ 2,047, and a deferred resource inflow related to the OPEB of $ 591.	(57,140)
Net position of governmental activities	$ 3,319,542

CITY OF HAMILTON, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	General Fund	Capital Improvements Fund	Total Governmental Funds
REVENUE			
Taxes:			
General Property	$ 767,711	$ -	$ 767,711
General Sales and Use	685,799	-	685,799
Franchise	157,838	-	157,838
Other Taxes	20,692	-	20,692
License and Permits	7,713	-	7,713
Intergovernmental	244,736	-	244,736
Charges for Services	578,363	-	578,363
Component Unit Leased Employee Income	66,732	-	66,732
Fines	213,431	-	213,431
Investment Earnings	17,999	14	18,013
Rental Income	46,814	-	46,814
Other Revenues	281,474	-	281,474
Total revenues	3,089,302	14	3,089,316
EXPENDITURES			
Current:			
General Government	435,880	-	435,880
Public Safety	658,806	-	658,806
Highways and Streets	423,408	-	423,408
Airport	202,969	-	202,969
Sanitation	408,138	-	408,138
Culture and Recreation	196,863	-	196,863
Library	20,000	-	20,000
Economic Development and Assistance	226,141	-	226,141
Debt Service:			
Principal	93,596	-	93,596
Interest and Fiscal Charges	10,122	-	10,122
Capital Outlay	30,736	-	30,736
Total Expenditures	2,706,659	-	2,706,659
Excess (Deficiency) of Revenues Over (Under) Expenditures	382,643	14	382,657
Other Financing Sources (Uses):			
Transfers In (out)	(143,645)	163,809	20,164
Proceeds From Debt	-	-	-
Total Other Financing Sources (Uses)	(143,645)	163,809	20,164
Net Change in Fund Balances	238,998	163,823	402,821
Fund Balances - Beginning	1,070,151	(162,155)	907,996
Fund Balances - Ending	$ 1,309,149	$ 1,668	$ 1,310,817

CITY OF HAMILTON, 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, 2019

Net change in fund balances - total governmental funds	$	402,821
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. This is the amount by which depreciation exceeds capital outlays in the current period.		(246,341)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		32,085
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.		93,703
Net pension and OPEB liabilities as well as the related deferred inflows and outflows of resources generated from those liabilities are not payable from current resources and therefore, are not reported in the governmental funds. These balances increased (decreased) by this amount.		(39,085)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. The net effect of these reclassifications and recognitions is to decrease net position.		(4,963)
Change in net position of governmental activities	$	238,220

CITY OF HAMILTON, TEXAS

STATEMENT OF NET POSITION
PROPRIETARY FUND
SEPTEMBER 30, 2019

	Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
Cash and Investments	$ 1,058,611
Receivables, Net of Allowance of $113,422	121,096
Due from other funds	-
Other Assets	2,546
Total Current Assets	1,182,253
Noncurrent Assets:	
Restricted Cash and Investments:	
Customer Deposits	62,152
Capital Assets:	
Land	17,578
Building	25,499
Infrastructure	13,644,580
Machinery and Equipment	1,433,701
Less Accumulated Depreciation	(9,553,735)
Total Noncurrent Assets	5,629,775
Total Assets	6,812,028
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred Loss on Refunding	41,625
Related to the TMRS pension	102,036
Related to the TMRS OPEB	888
Total Deferred Outflows of Resources	144,549
Total Assets and Deferred Outflows of Resources	6,956,577

CITY OF HAMILTON, TEXAS

STATEMENT OF NET POSITION

PROPRIETARY FUND

SEPTEMBER 30, 2019

	Enterprise Fund
LIABILITIES:	Water and Sewer Fund
Current Liabilities:	
Accounts Payable	172,744
Other Current Liabilities	5,978
Accrued Interest Payable	37,243
Equipment Loan Payable - Current	68,824
Certificate of Obligation Payable - Current	20,000
Revenue Bonds Payable - Current	169,000
Total Current Liabilities	473,789
Current Liabilities Payable from Restricted Assets:	
Customer Deposits	62,152
Total Current Liabilities Payable from Restricted Assets	62,152
Noncurrent Liabilities:	
Equipment Loan Payable - Net of Current	297,821
Certificate of Obligation Payable - Net of Current	1,013,000
Revenue Bonds Payable - Net of Current	1,777,000
Net Pension Liability	270,746
Net OPEB liability	25,436
Accrued Compensated Absences	12,826
Total Noncurrent Liabilities	3,396,829
Total Liabilities	3,932,770
DEFERRED INFLOWS OF RESOURCES:	
Related to TMRS pension	27,778
Related to TMRS OPEB	257
Total Liabilities and Deferred Inflows of Resources	3,960,805
NET POSITION:	
Investment in Capital Assets	2,777,623
Unrestricted	218,149
Total Net Position	$ 2,995,772

CITY OF HAMILTON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN NET POSITION - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund
	Water and Sewer Fund
OPERATING REVENUES:	
Charges for Sales and Services:	
Water Sales	$ 1,705,919
Sewer Sales	530,925
Tap Fees	27,803
Other Services	39,020
Total Operating Revenues	2,303,667
OPERATING EXPENSES:	
Personnel Services - Salaries, Wages and Benefits	446,779
Other Purchased Services	216,890
Water and Chemicals Costs	1,202,233
Repairs and maintenance	181,816
Depreciation	328,254
Utilities	74,559
Property	390,371
Bad Debt Expense	250
Total Operating Expenses	2,841,152
Operating Income (Loss)	(537,485)
Non-operating Revenues (Expenses)	
Grant Revenue	336,053
Interest Revenue	19,315
Interest Expense	(140,363)
Total Non-operating Revenues (Expenses)	215,005
Transfers	
Transfers Out	20,648
Total Transfers	(20,648)
Change in Net Position	(343,128)
Net position - Beginning	3,338,900
Net position - Ending	$ 2,995,772

CITY OF HAMILTON
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED SEPTEMBER 30, 2019

		Enterprise Fund Water and Sewer Fund
Cash Flows from Operating Activities:		
Cash Received from Customers	$	2,476,881
Cash Payments to Other Suppliers for Goods and Services		(2,146,787)
Cash Payments to Employees for Services		(281,468)
Net Cash Provided by Operating Activities		48,626
Cash Flows from Non-Capital Financing Activities:		
Cash Received on Loans to Other Funds		-
Interfund Transfer		(484)
Net Cash Used in Operating Activities		(484)
Cash Flows from Capital and Related Financing Activities:		
Principal Repayment on Debt		(247,708)
Interest and Fiscal Charges on Debt		(133,225)
Proceeds from Long-Term Debt		-
Acquisition or Construction of Capital Assets		(12,935)
Proceeds from Capital Improvement Grant		336,053
Net Cash Used in Capital and Related Financing Activities		(57,815)
Cash Flows from Investing Activities:		
Interest on Investments		19,315
Net Cash Provided by Investing Activities		19,315
Net Increase in Cash and Cash Equivalents		9,642
Cash and Cash Equivalents at Beginning of Year		1,111,121
Cash and Cash Equivalents at End of Year	$	1,120,763
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income (Loss)	$	(537,485)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization		328,254
Change in Assets, Liabilities, Deferred Inflows, and Deferred Outflows:		
Decrease (Increase) in Receivables		168,924
Decrease (Increase) in Deferred Outflows TMRS		(102,036)
Decrease (Increase) in Deferred Outflows OPEB		(888)
Increase (Decrease) in Accounts Payable		71,569
Increase (Decrease) in Accrued Expenses		(16,723)
Increase (Decrease) in Accrued Compensated Absences		12,826
Increase (Decrease) in Customer Deposits		4,290
Increase (Decrease) in Net Pension Liability		71,247
Increase (Decrease) in Deferred Inflows TMRS		22,955
Increase (Decrease) in Deferred Inflows OPEB		257
Net OPEB Liability		25,436
Total Adjustments		586,111
Net Cash Provided by Operating Activities	$	48,626
Cash and investments		1,058,611
Restricted cash and investments		62,152
Total Cash		1,120,763

NOTES TO FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

The City of Hamilton, Texas was incorporated in 1909, under the provisions of the State of Texas. The City operates under a mayor-council form of government and provides the following services as authorized under general law: public safety (police and fire), highways and streets, sanitation, health, social services, culture and recreation and general administrative services.

The accounting policies of the City conform to accounting principles generally accepted in the United States of America (GAAP) applicable to state and local governments. General accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units. The more significant accounting policies of the City are described below:

A. The Reporting Entity

The City's combined financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No 14, "The Financial Reporting Entity," as amended by GASB Statements No. 39 and 61, include whether:

- the organization is legally separate
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City

Based on these criteria, the City of Hamilton has one component unit, the Hamilton Economic Development Corporation. The City of Hamilton is not a component unit of any other reporting entity as defined by the GASB Statement.

Included as part of the reporting entity:

The Hamilton Economic Development Corporation (the "Corporation") is a component unit of the City of Hamilton. The Corporation was organized exclusively for the purpose of benefiting and accomplishing public purposes of the City. The Board of Directors is appointed by the City Council. The City Council may at its sole discretion change the structure, organization, programs or activities of the Corporation and may terminate or dissolve the Corporation. Separate financial statements may be obtained by contacting the Corporation.

I. Summary of Significant Accounting Policies (continued)

A. The Reporting Entity (continued)

Excluded from the reporting entity:

Tax appraisal services are provided for the City of Hamilton by contract with the Hamilton County Appraisal District, and the Upper Leon River Municipal Water District provides water on a contracted basis. The City budgets and provides a limited amount of support for the Hamilton Volunteer Fire Department, the Chamber of Commerce, and for the Hamilton Public Library. Education services are provided to citizens by the Hamilton Independent School District. The City of Hamilton appoints a voting majority of the governing body of the Housing Authority of the City of Hamilton but is not able to impose its will on the governing body.

The County Appraisal District, Municipal Water District, Volunteer Fire Department, Library, Chamber of Commerce and Independent School District are separate organizations with boards of directors not appointed by the City of Hamilton. None of the organizations are able to provide specific financial benefits to, or impose specific financial burdens on, the City of Hamilton. All of the organizations are fiscally independent of the City of Hamilton. The listed agencies are not component units of the City of Hamilton.

B. Basis of Presentation

Government-wide Statements:

The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

I. Summary of Significant Accounting Policies (continued)

B. Basis of Presentation (continued)

Fund Financial Statements:

The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. There were no other funds to be aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City 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 ***Capital Improvements Fund*** accounts for major capital expenditures not financed by the Enterprise Fund.

The City reports the following major Enterprise fund:

- The ***Water and Sewer Enterprise Fund*** accounts for the operations (a) that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

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

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. 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.

I. Summary of Significant Accounting Policies (continued)

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

Governmental Fund Financial Statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectable within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The City's governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. Property taxes, interest revenue, charges for services and sales tax revenues are susceptible to accrual. Franchise taxes, fines and permits revenues are not susceptible to accrual because generally they are not measurable until received in cash. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Budgetary Control

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

1. Prior to October 1, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following October 1. The operating budget includes proposed expenditures and the means of financing them.

2. Public hearings are conducted to obtain taxpayer comments.

3. Prior to October 1, the budget is legally enacted through passage of an Ordinance.

4. Any revisions that alter the total expenditures of any fund must be approved by the City Council.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund and Enterprise Fund. A budget is legally adopted for the General Fund and Enterprise Fund.

Budgets for the General Fund and Enterprise Fund are adopted on a basis consistent with accounting principles generally accepted in the United States of America (GAAP).

I. Summary of Significant Accounting Policies (continued)

D. Budgetary Control (continued)

The General Fund Budgetary Comparison Schedule presents a comparison of budgetary data to actual results. The General Fund utilizes the same basis of accounting for both budgetary purposes and actual results.

All appropriations lapse on September 30 of the fiscal year.

Budget amounts are as originally adopted or as amended by the City Council.

E. Cash and Investments

Cash and Cash Equivalents - Cash includes amounts in demand deposits and savings accounts, as well as short-term investments with a maturity date within three months of the date acquired by the City. Restricted cash assets are not included as cash equivalents.

Investments - Investments with a maturity of less than one year when purchased and non-negotiable certificates of deposit are stated at cost or amortized cost. As of September 30, 2019, the City did not have any investments with a maturity greater than one year when purchased.

F. Capital Assets

Capital assets purchased or constructed are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of the 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. Public domain ("infrastructure") general fixed assets consisting of certain improvements other than buildings, including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems, are capitalized along with other capital assets.

Depreciation has been provided over the estimated useful lives using the straight line method. The estimated useful lives are as follows:

Water and sewer systems	40 years
Buildings and other improvements	20 - 40 years
Machinery and equipment	5 - 10 years
Motor vehicles	5 years

I. Summary of Significant Accounting Policies (continued)

G. Deferred Outflows and 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. An example is a deferred loss on refunding reported in the government-wide statement of net position. A deferred loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. 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 government has several items, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source: property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred outflows of resources and deferred inflows of resources related to pensions and pension expense have resulted in deferred inflows of $64,247 and deferred outflows of $337,101. Deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have resulted in deferred inflows of $28,369 and deferred outflows of $2,935.

H. Accrued Compensated Absences

Full-time city employees are eligible to earn paid time off (PTO). The amount of PTO that can be accrued each year is based on the length of service and accrues accordingly to an accrual schedule established by the city manager. Employees may carry forward earned PTO past the anniversary date based upon PTO allowed, according to the number of years of continuous employment with the city. Any PTO hours earned over the allowed amount that are not used by the anniversary date, will not be carried forward nor will any pay be given for those hours.
In accordance with accounting principles generally accepted in the United States of America, the City recognizes liabilities for future employee vacations for which payments is probable and can be estimated reasonably. Earned, unused medical leave time is not paid upon termination of employment for any reason. An employee becomes ineligible for medical leave benefits upon giving notice of resignation. Due to this policy, no accrued liability for sick leave has been recorded

I. **Summary of Significant Accounting Policies (continued)**

I. Pensions

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

J. Fund Balance and Net Position

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Non-spendable: This classification includes amounts that cannot be spent because they are either (a) not in the spendable form or (b) are legally or contractually required to be maintained intact. Non spendable items are not expected to be converted to cash or are not expected to be converted to cash within the next year.
- Restricted: This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.
- Committed: This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by board resolution of the City Council, the City's highest level of decision making authority. These amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.
- Assigned: This classification includes amounts that are constrained by the City's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the City Council.
- Unassigned: This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

In circumstances where an expenditure is to be made for a purpose for which amounts are available in multiple fund balance classifications, the order in which resources will be extended is as follows: restricted fund balance, followed by committed fund balance, assigned fund balance, and lastly unassigned fund balance.

I. Summary of Significant Accounting Policies (continued)

J. Fund Balance and Net Position (continued)

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. In circumstances where an expense is to be made for a purpose for which amounts are available in multiple net position classifications, restricted position will be fully utilized first followed by unrestricted as necessary.

K. Use of Estimates

The preparation of financial statements in conformity with accounting principals generally accepted in the United States of America 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

L. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the City's actuary report. For this purpose, OPEB expense recognized each fiscal year is equal to the change in the net OPEB liability from the beginning of the year to the end of the year, adjusted for deferred recognition of certain changes in the liability. Benefit payments are treated as being equal to the employer's yearly contributions for retirees. Information regarding the City's net OPEB liability is obtained from TMRS through a report prepared for the City by TMRS consulting actuary, Gabriel Roeder Smith & Company, in compliance with Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

II. Deposits and Short-Term Investments

Cash and investments as of September 30, 2019 consist of the following:

	Cash Deposits Carrying Amount	TexPool
Government activities:		
General fund	$ 603,979	$ 641,103
Capital projects fund	1,668	-
Business-type activity:		
Water and sewer fund	630,909	489,854
Total	$ 1,236,556	$ 1,130,957

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by investing mainly in investment pools which purchase a combination of shorter term investments with an average maturity of less than 30 days thus reducing the interest rate risk. The City monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The City has no specific limitations with respect to this metric. As of September 30, 2019, the City had investments in TexPool totaling $1,130,957 which had a weighted average maturity of 28 days. As of September 30, 2019, the City was not invested in any securities which are highly sensitive to interest rate fluctuation.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The minimum rating required by (where applicable) the Public Funds Investment Act, the City's investment policy, or debt agreements, is AAA. The actual rating for TexPool as of September 30, 2019 was AAAm.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. As of September 30, 2019, other than external investment pools, the City did not have 5% or more of its investments with one issuer.

II. <u>Deposits and Short-Term Investments</u> (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Public Funds Investment Act and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The Public Funds Investment Act requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least the bank balance less the FDIC insurance at all times.

At September 30, 2019, the bank balance of the City's cash and deposits was $1,236,556. $250,000 of the bank balance at two different financial institutions was covered by depository insurance under the FDIC, with and the remaining balance was secured with securities held by pledging financial institutions.

Investment in State Investment Pools

The City is a voluntary participant in the TexPool external investment pool. The State Comptroller of Public Accounts exercises responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. TexPool operates in a manner consistent with the SEC's Rule2a7 of the Investment Company Act of 1940. TexPool uses amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares. The financial statements of TexPool can be obtained from the Texas Trust Safekeeping Trust Company at www.ttstc.org. There are no limitations or restrictions on withdrawals.

III. Property Taxes

Taxes assessed on valuations as of January 1 each year are levied during the subsequent fiscal year beginning October 1. Property taxes attach as an enforceable lien on property at the time levied. 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 1 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 when they become due or past due and receivable within the current period and when they are expected to be collected during a 60-day period after the close of the fiscal year. The City has its property taxes collected by the Hamilton County Appraisal District. Property taxes that are deemed uncollectible are presented as a reserve against revenues and property taxes receivable.

The allowance for uncollectible property taxes receivable as of September 30, 2019 was $24,900 for the general fund.

IV. Capital Assets

Capital assets activity for the year ended September 30, 2019, is as follows:

	Beginning Balance	Additions/ Completions	Retirements/ Adjustments	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	$ 274,875	$ -	$ -	$ 274,875
Construction in progress	-	11,741	-	11,741
Total assets not being depreciated	274,875	11,741	-	286,616
Capital assets, being depreciated:				
Buildings	135,515	-	-	135,515
Airport	4,668,804	-	-	4,668,804
Park improvements	1,029,547	-	-	1,029,547
Equipment	698,415	57,267	-	755,682
Equipment under capital lease	773,646	-	-	773,646
Infrastructure	1,955,262	10,560	-	1,965,822
Total capital assets being depreciated	9,261,189	67,827	-	9,329,016
Accumulated depreciation:				
Buildings	135,515	-	-	135,515
Airport	3,444,824	103,499	-	3,548,323
Park improvements	610,499	51,477	-	661,976
Equipment	582,833	55,388	-	638,221
Equipment under capital lease	572,265	43,435	-	615,700
Streets and bridges	1,289,811	72,110	-	1,361,921
Total accumulated depreciation	6,635,747	325,909	-	6,961,656
Total capital assets being depreciated, net	2,625,442	(258,082)	-	2,367,360
Governmental activities capital assets, net	$ 2,900,317	$ (246,341)	$ -	$ 2,653,976

IV. Capital Assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	$ 17,578	$ -	$ -	$ 17,578
Construction in progress	-	-	-	-
Total assets not being depreciated	17,578	-	-	17,578
Capital assets, being depreciated:				
Building	25,500	-	-	25,500
Infrastructure	13,644,580	-	-	13,644,580
Equipment	614,099	-	-	614,099
Equipment under capital lease	722,791	-	-	722,791
Motor vehicles	83,876	12,935	-	96,811
Total capital assets being depreciated	15,090,846	12,935	-	15,103,781
Accumulated depreciation:				
Building	10,626	638	-	11,264
Infrastructure	7,831,976	316,139	-	8,148,115
Equipment	590,678	7,586	-	598,264
Equipment under capital lease	722,791	-	-	722,791
Motor vehicles	69,410	3,892	-	73,302
Total accumulated depreciation	9,225,481	328,255	-	9,553,736
Total capital assets being depreciated, net	5,865,365	(315,320)	-	5,550,045
Business-type activities capital assets, net	$ 5,882,943	$ (315,320)	$ -	$ 5,567,623

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

Governmental Activities:	
General government	$ 722
Public safety	38,377
Highways and streets	68,706
Culture and recreation	47,911
Airport	170,193
Total depreciation expense - governmental activities	$ 325,909
Business-type Activities:	
Water and sewer system	$ 328,255
Total depreciation expense - business-type activities	$ 328,255

V. Long-term Debt

At September 30, 2019, the City's bonds and notes payable consisted of the following:

	Governmental	Business-Type
2006 Certificates of Obligation Bonds due in annual installments through 2046, bearing interest at a rate of 4.125%	$ -	$ 1,033,000
2013 General Obligation Refunding Bonds due in annual installments through 2029, bearing interest at a rate of 3.58%	-	1,946,000
Note payable to a financial institution in annual installments of $80,450 through 2024 including interest at a rate of 3.170%, secured by property financed	-	366,645
Note payable to a financial institution in annual installments of $30,279 through 2022 including interest at a rate of 4.058%, secured by property financed	83,935	-
	$ 83,935	$ 3,345,645

The following is a summary of all long-term debt transactions of the City for the year ended September 30, 2019:

Description	Beginning Balance 9/30/2018	Increases	Decreases	Ending Balance 9/30/2019	Due within one year
Governmental activities:					
Capital leases	$ 205,606	$ -	$ 39,278	$ 166,328	$ 40,179
Notes payable	138,360	-	54,425	83,935	26,873
Accrued compensated absences	27,041	9,713	-	36,754	-
Governmental activities long-term liabilities	$ 371,007	$ 9,713	$ 93,703	$ 287,017	$ 67,052
Business-type activities					
Revenue bonds	$ 2,107,000	$ -	$ 161,000	$ 1,946,000	$ 169,000
Certificate of obligation payable	1,053,000	-	20,000	1,033,000	20,000
Notes payable - equipment	433,353	-	66,708	366,645	68,824
Accrued compensated absences	14,222	-	1,396	12,826	-
Business-type activities long-term liabilities	$ 3,607,575	$ -	$ 249,104	$ 3,358,471	$ 257,824

V. Long-term Debt (continued)

The annual requirements to amortize all bonds and notes payable outstanding as of September 30, 2019 are as follows:

Revenue Bonds	Business-Type	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2020	169,000	66,642	235,642
2021	172,000	60,538	232,538
2022	179,000	54,255	233,255
2023	182,000	47,793	229,793
2024	189,000	41,152	230,152
2025-2029	1,055,000	97,143	1,152,143
Total	$ 1,946,000	$ 367,523	$ 2,313,523

Certificates of Obligation	Business-Type	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2020	20,000	46,035	66,035
2021	21,000	45,112	66,112
2022	22,000	44,145	66,145
2023	23,000	43,133	66,133
2024	24,000	42,075	66,075
2025-2029	139,000	192,578	331,578
2030-2044	174,000	157,500	331,500
2035-2039	215,000	113,963	328,963
2040-2044	269,000	59,738	328,738
2045-2046	126,000	5,760	131,760
Total	$ 1,033,000	$ 750,039	$ 1,783,039

Note Payable - Equipment	Business-Type	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2020	68,824	11,626	80,450
2021	71,006	9,444	80,450
2022	73,257	7,192	80,449
2023	75,581	4,869	80,450
2024	77,977	2,473	80,450
Total	$ 366,645	$ 35,604	$ 402,249

Notes Payable	Governmental	Activities	Total
Due Fiscal Year Ending September 30	Principal	Interest	Requirements
2020	67,052	7,221	74,273
2021	69,064	5,209	74,273
2022	71,141	3,131	74,272
2023	43,007	986	43,993
Total	$ 250,264	$ 16,547	$ 266,811

VI. Capital Leases

The City has entered into a capital lease agreement. The leased property under capital lease is classified as equipment with a total capitalized cost of $389,224 and amortized value of approximately $157,946 at September 30, 2019. Amortization expense has been included in depreciation expense for the year ended September 30, 2019.

The following is a schedule of future minimum payments under the capital leases together with the present value of the minimum lease payments as of September 30, 2019:

Year Ending September 30	
2020	43,993
2021	43,993
2022	43,993
2023	43,993
Thereafter	-
Total payments	175,972
Less amount representing interest	14,359
Present value of net minimum lease payments	$ 161,613

VII. Retirement Plan

Plan Description

The City of Hamilton participates as one of 883 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 comprehensive annual financial report (CAFR) that can be obtained at *www.tmrs.com*.

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

Benefits Provided

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

VII. Retirement Plan (continued)

Benefits Provided (continued)

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 benefits 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.

Plan provisions for the City were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	7.0%	7.0%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Updated service credit	100% repeating, transfers	100% repeating, transfers
Annuity increase (to retirees)	70% of CPI repeating	70% of CPI repeating
Retirement eligibility (Age/Service)	60/5, 0/20	60/5, 0/20
Supplemental Death Benefit to Active Employees	Yes	Yes
Supplemental Death Benefit to Retirees	Yes	Yes

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

	2018
Inactive employees of beneficiaries currently receiving benefits	23
Inactive employees entitled to but not yet receiving benefits	22
Active employees	30
	75

Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each city is determined annually by the 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.

VII. Retirement Plan (continued)

Employees for the City of Hamilton were required to contribute 7% of the annual gross earnings during the fiscal year. The contribution rates for the City of Hamilton were 18.90% and 18.14% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were $201,438, and were equal to the required contributions.

Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) is 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, 2018 actual valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5%
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions used were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the system adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy. 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.

VII. Retirement Plan (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.78%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

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

VII. Retirement Plan (continued)

Changes in the Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	$ 4,310,398	$ 3,651,315	$ 659,083
Changes for the year:			
Service cost	178,774	-	178,774
Interest	287,368	-	287,368
Change of benefit terms	-	-	-
Difference between expected and actual experience	(93,707)	-	(93,707)
Changes of assumptions	-	-	-
Contributions - employer	-	180,879	(180,879)
Contributions - employee	-	67,791	(67,791)
Net investment income	-	(109,388)	109,388
Benefit payment, including refunds of employee contibutions	(284,949)	(284,949)	-
Administrative expense	-	(2,114)	2,114
Other changes	-	(110)	110
Net changes	87,486	(147,891)	235,377
Balance at 12/31/2018	**$ 4,397,884**	**$ 3,503,424**	**$ 894,460**

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

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 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	$ 1,480,883	$ 894,461	$ 413,160

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* .

VII. Retirement Plan (continued)

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

For the year ended September 30, 2019, the City recognized pension expense of $182,256.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 91,768
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	187,172	
Contributions subsequent to the measurement date	149,931	-
Total	$ 337,103	$ 91,768

$149,931 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2019	$ 33,532
2020	(20,255)
2021	10,956
2022	71,171
2023	-
Thereafter	-

VIII. Postemployment Benefits Other Than Pensions

The City participates in a single employer, defined benefit group-term life insurance plan known as Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75 (i.e., no assets are accumulated for OPEB) and as such the SDBF is considered to be an unfunded OPEB plan.

The City elected, by ordinance, to provided group-term life insurance coverage to both current and retired employees. The 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 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.

Benefits

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

Employees Covered By Benefit Terms

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit (OPEB) and is a fixed amount of $7,500.

	2018
Inactive employees of beneficiaries currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	3
Active employees	30
	47

Net OPEB Liability

The City's net OPEB liability of $ 84,031 was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

VIII. Postemployment Benefits Other Than Pensions (continued)

Actuarial Assumptions

The net OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Overall payroll growth	3.5% to 10.5% including inflation
Discount Rate	3.71%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103% and due to the size of the City, rates are multiplied by an additional factor for 100%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males rate multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

	Net OPEB Liability
Balance at December 31, 2017	80,161
Changes for the year:	
Service cost	3,680
Interest	2,697
Changes of benefit terms	-
Difference between expected and actual experience	3,611
Changes of assumptions or other inputs	(5,053)
Benefit payments	(1,065)
Net changes	3,870
Balance at December 31, 2018	84,031

Discount Rate

The discount rate was used to measure the net OPEB liability was 3.71%. The discount rate was based on Fidelity Index's "20 – Year Municipal GO AA Index" rate as of the measurement date.

VIII. Postemployment Benefits Other Than Pensions (continued)

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 3.71%, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1- percentage -point lower (2.71%) or 1- percentage -point higher (4.71%) than the current rate:

	1% Decrease in Discount Rate (2.71%)	Discount Rate (3.71%)	1% Increase in Discount Rate (4.71%)
Total OPEB liability	$ 97,410	$ 84,031	$ 73,371

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

For the year ended September 30, 2019, the City recognized OPEB expense of $ 81,944.

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ -
Changes in actuarial assumptions	-	848
Difference between projected and actual investment earnings	2,935	-
Contributions subsequent to the measurement date	-	-
Total	$ 2,935	$ 848

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

Year ended December 31:	
2019	$ 705
2020	705
2021	705
2022	64
2023	(92)
Thereafter	-

IX. Commitments

The City entered into a 40-year contract with the Upper Leon River Municipal Water District (ULRMWD) which allows purchase of up to 300 million gallons per year, not to exceed 2.31 million gallons per day during peak usage periods. The City may request additional water if the need arises with 60-days notification by the District that they are in agreement with revised terms. These provisions leave room for growth of the City's water system.

The City is required to continue maintenance of the federally subsidized airport in future years. All revenues generated by the airport are required to be utilized for maintenance and operations of the airport. The airport maintenance expenditures for the year ended September 30, 2019 totaled $202,958. The revenues generated by the airport property and services for the year totaled $114,820. As a result, there is an accumulated restricted fund balance of $14,603 for airport operations as of September 30, 2019.

X. Tax Abatements

There were no tax abatements authorized by the City during 2019.

XI. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City insures its buildings and contents, law enforcement liability, public officials' liability, general liability and auto liability under a renewable one-year policy with the Texas Municipal League. The City insures its workers compensation risk by participating in the Texas Municipal League Intergovernmental Risk Pool which is a self-insurance policy mechanism for political subdivisions in Texas. Rates are set by the State Insurance Board. Each participant's contribution to the pool is adjusted based on its workers' compensation history. The City is responsible only to the extent of premiums paid and contributions made to Texas Municipal League and the Intergovernmental Risk Pool. There have been no significant changes in insurance coverage as compared to last year and settlements have not exceeded coverage in each of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, TEXAS

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUE				
Taxes:				
General Property	$ 716,000	$ 761,000	$ 767,711	$ 6,711
General Sales and Use	585,250	616,250	685,799	69,549
Franchise	157,100	162,100	157,838	(4,262)
Other	19,000	19,000	20,692	1,692
License and Permits	12,000	12,000	7,713	(4,287)
Intergovernmental	5,000	79,000	244,736	165,736
Charges for Services	571,000	571,000	578,363	7,363
Component Unit Leased Employee Income	63,075	63,075	66,732	3,657
Fines	102,000	108,000	213,431	105,431
Investment Earnings	300	300	17,999	17,699
Rental Income	45,645	45,645	46,814	1,169
Other Revenues	231,125	266,925	281,474	14,549
Total Revenues	2,507,495	2,704,295	3,089,302	385,007
EXPENDITURES				
Current:				
General Government	402,180	439,830	435,880	3,950
Public Safety	716,408	744,558	658,806	85,752
Highways and Streets	410,860	444,860	423,408	21,452
Airport	91,628	165,628	202,969	(37,341)
Sanitation	400,000	400,000	408,138	(8,138)
Culture and Recreation	183,500	190,500	196,863	(6,363)
Library	20,000	20,000	20,000	-
Economic Development	190,000	206,000	226,141	(20,141)
Debt Service:				
Principal	99,192	99,192	93,596	5,596
Interest and Fiscal Charges	4,715	4,715	10,122	(5,407)
Capital Outlay	24,000	24,000	30,736	(6,736)
Total Expenditures	2,542,483	2,739,283	2,706,659	32,624
Excess (Deficiency) of Revenues Over (Under) Expenditures	(34,988)	(34,988)	382,643	417,631
Other Financing Sources (Uses):				
Transfers In from Other Funds	(143,645)	(143,645)	(143,645)	-
Transfers Out to Other Funds	-	-	-	-
Proceeds From Debt	-	-	-	-
Total Other Financing Sources (Uses)	(143,645)	(143,645)	(143,645)	-
Net Change in Fund Balances	(178,633)	(178,633)	238,998	417,631
Fund Balances - Beginning	1,070,151	1,070,151	1,070,151	-
Fund Balances - Ending	$ 891,518	$ 891,518	$ 1,309,149	$ 417,631

CITY OF HAMILTON

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

Total Pension Liability	2015	2016	2017	2018	2019
Service Cost	$ 96,732	$ 150,925	$ 163,026	$ 161,419	$ 178,774
Interest (on the Total Pension Liability)	254,762	265,324	265,822	280,675	287,368
Changes of Benefit Terms	-	-	-	-	-
Difference Between Expected and Actual Experience	(37,538)	(78,109)	55,343	(77,038)	(93,707)
Change of Assumptions	-	21,802	-	-	-
Benefit Payments, Including Refunds of Employee Contributions	(206,356)	(173,972)	(262,486)	(264,204)	(284,949)
Net Change in Total Pension Liability	107,600	185,970	221,705	100,852	87,486
Total Pension Liability - Beginning	3,694,271	3,801,871	3,987,841	4,209,546	4,310,398
Total Pension Liability - Ending (a)	$3,801,871	$3,987,841	$4,209,546	$4,310,398	$4,397,884
Plan Fiduciary Net Position					
Contributions - Employer	$ 141,764	$ 178,065	$ 182,273	$ 163,428	$ 180,879
Contributions - Employee	45,038	57,921	61,519	61,144	67,791
Net Investment Income	163,193	4,419	206,718	449,669	(109,388)
Benefit Payments, Including Refunds of Employee Contributions	(206,356)	(173,972)	(262,486)	(264,204)	(284,949)
Administrative Expense	(1,704)	(2,691)	(2,334)	(2,330)	(2,114)
Other	(140)	(133)	(126)	(118)	(110)
Net Change in Plan Fiduciary Net Position	141,795	63,609	185,564	407,589	(147,891)
Plan Fiduciary Net Position - Beginning	2,852,758	2,994,553	3,058,162	3,243,726	3,651,315
Plan Fiduciary Net Position - Ending (b)	$2,994,553	$3,058,162	$3,243,726	$3,651,315	$3,503,424
Net Pension Liability - Ending (a) - (b)	$ 807,318	$ 929,679	$ 965,820	$ 659,083	$ 894,460
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	78.77%	76.69%	77.06%	84.71%	79.66%
Covered Employee Payroll	$ 643,400	$ 827,441	$ 878,844	$ 873,479	$ 968,441
Net Pension Liability as a Percentage of Covered Employee Payroll	125.48%	112.36%	109.90%	75.45%	92.36%

Note: Only five years of data is presented in accordance with GASB 68, Paragraph 138. “The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement.”

CITY OF HAMILTON
SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years (will ultimately be displayed)

	2015	2016	2017	2018	2019
Actuarially Determined Contribution	$ 174,798	$ 192,056	$ 166,745	$ 163,549	$ 180,879
Contributions in Relation to the Actuarially Determined Contribution	174,798	192,056	166,745	163,549	180,879
Contribution Deficiency (Excess)	-	-	-	-	-
Covered Employee Payroll	643,400	827,441	878,844	873,479	968,441
Contributions as a Percentage of Covered Employee Payroll	27.17%	23.21%	18.97%	18.72%	18.68%

Note: Only five years of data is presented in accordance with GASB 68, Paragraph 138. "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

CITY OF HAMILTON

SCHEDULE OF CHANGES IN NET OPEB LIABILITY
AND RELATED RATIOS
Last 10 Years (will ultimately be displayed)

Total Pension Liability	**2017**	**2018**
Service Cost	$ 2,882	$ 3,680
Interest on total OPEB liability	2,690	2,697
Changes of Benefit Terms including TMRS plan participation	-	-
Difference between expected and actual experience		3,611
Change in assumption or other inputs	5,209	(5,053)
Benefit payments	(699)	(1,065)
Net Change in Total Pension Liability	10,082	3,870
Total Pension Liability - Beginning	70,079	80,161
Total Pension Liability - Ending (a)	$ 80,161	$ 84,031
Covered Employee Payroll	$ 873,479	$ 968,441
Net Pension Liability as a Percentage of Covered Employee Payroll	9.18%	8.68%

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	27 years
Asset Valuation Method	10 Year smoothed market; 15% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 10.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2015 valuation pursuant to an experience study of the period 2010 - 2014
Mortality	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB

Other Information:

Notes	There were no benefit changes during the year.

APPENDIX E

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)