OFFICIAL STATEMENT DATED JULY 13, 2021

Ratings: S&P Insured: "AA"
S&P Underlying: "A+"

NEW ISSUE - BOOK-ENTRY-ONLY **(See "OTHER INFORMATION - RATINGS" herein)**

In the opinion of Naman, Howell, Smith & Lee PLLC, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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.

THE CITY HAS DESIGNATED THE BONDS AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$1,515,000
CITY OF ITALY, TEXAS
(Ellis County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Interest to accrue from Date of Delivery **Due: August 1, as shown on the inside cover**

Payment Terms . . . Interest on the $1,515,000 City of Italy, Texas, General Obligation Refunding Bonds, Series 2021 (the "Bonds") will accrue from the Date of Delivery (as defined below) to the initial purchasers thereof, will be payable February 1 and August 1 of each year commencing February 1, 2022, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry- Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. **No physical delivery of the Bonds will be made to the beneficial owners thereof.** Principal of 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 participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - Book-Entry-Only System"). The initial Paying Agent/Registrar is UMB Bank, N.A., Austin, Texas (see "THE BONDS - Paying Agent/Registrar").

Authority For Issuance . . . The Bonds are issued pursuant to the constitution and general laws of the State of Texas (the "State"), including Chapter 1207, Texas Government Code, as amended, and an ordinance adopted by the City Council of the City of Italy, Texas (the "City") authorizing the issuance of the Bonds and a pricing certificate executed pursuant thereto (collectively, the "Ordinance") (see "THE BONDS - Authority For Issuance Of 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 "PLAN OF FINANCING - Sources and Uses of Funds").

Security And Source Of Payment . . . The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance (see "THE BONDS - Security And Source Of Payment").

Optional Redemption . . . The Bonds are not subject to redemption prior to maturity. (see "THE BONDS - Optional Redemption).

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.

See Maturity Schedule on the inside cover

Legality . . . The Bonds are offered for delivery when, as and if issued and received by the underwriter listed below (the "Underwriter") and subject to the approving opinion of the Attorney General of Texas and the opinion of Naman, Howell, Smith & Lee PLLC, Waco, Texas, Bond Counsel (see APPENDIX D, "FORM OF BOND COUNSEL OPINION"). Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel for the Underwriter.

Delivery . . . It is expected that the Bonds will be available for delivery through the facilities of DTC on August 2, 2021 ("Date of Delivery").

RAYMOND JAMES

MATURITY SCHEDULE

$1,515,000 CITY OF ITALY, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS AND CUSIPS

Base CUSIP Number: 465416[(2)]

Stated Maturity (August 1)	Principal Amount	Interest Rate (%)	Initial Yield (%)[(1)]	CUSIP Suffix[(2)]
2022	$130,000	3.000	0.350	DD4
2023	135,000	3.000	0.400	DE2
2024	140,000	3.000	0.500	DF9
2025	145,000	3.000	0.650	DG7
2026	145,000	3.000	0.800	DH5
2027	150,000	3.000	0.950	DJ1
2028	160,000	3.000	1.100	DK8
2029	165,000	3.000	1.250	DL6
2030	170,000	3.000	1.350	DM4
2031	175,000	3.000	1.400	DN2

(Interest to accrue from the Date of Delivery)

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

(2) CUSIP numbers have been assigned to this issue and are included solely for the convenience of the owners of the Bonds. "CUSIP" is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of American Bankers Association. This data is not intended to create a database and does not serve in anyway as a substitute for the CUSIP services. Neither the City, the Financial Advisor (defined herein), nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein

CITY OF ITALY, TEXAS

CITY COUNCIL

Bryant Cockran	Mayor
Randy Boyd	Mayor Pro Tem
Luin McConnell	Council Member
Vincent Fleming	Council Member
Emerline Allen Bell	Council Member
Raymond Mosley	Council Member

ADMINISTRATIVE OFFICERS

Shawn Holden	City Administrator
Amber Cunningham	Assistant City Secretary
Julie Fort	City Attorney

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Naman, Howell, Smith & Lee PLLC, Waco, Texas	Bond Counsel
Misty Culpepper, CPA, PLLC, Ennis, Texas	Independent Auditor
Government Capital Securities Corporation, Southlake, Texas	Financial Advisor

For additional information regarding the City, please contact:

Shawn Holden
City Administrator
City of Italy, Texas
161 West Main Street
P.O. Box 840
Italy, Texas 76651
(972) 483-7329
sholden@italycityhall.org

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

No dealer, broker, salesman or other person has been authorized by the City or the Underwriter to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell Bonds in any jurisdiction to any person to whom it is unlawful to make such offer in such jurisdiction.

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

IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES 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.

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

THE BONDS ARE EXEMPT 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 JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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 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 in this Official Statement in accordance with, and as part of its responsibilities to investors under 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.

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 March 31, 2021 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $477.7 million, $156.4 million and $321.3 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 www.buildamerica.com/videos. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

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

THE CITY	The City of Italy, Texas (the "City") is a political subdivision and municipal corporation of the State of Texas, located in Ellis County, Texas (see "INTRODUCTION - DESCRIPTION OF CITY" and "APPENDIX B - GENERAL INFORMATION REGARDING THE CITY").
THE BONDS	The $1,515,000 City of Italy, Texas, General Obligation Refunding Bonds, Series 2021 (the "Bonds") are issued as serial bonds maturing on August 1, 2022 through August 1, 2031, inclusive (see "THE BONDS - DESCRIPTION OF THE BONDS").
PAYMENT OF INTEREST	Interest on the Bonds accrues from the date of delivery to the initial purchasers thereof (the "Date of Delivery"), and is payable February 1, 2022, and each February 1 and August 1 thereafter until maturity or prior redemption (see "THE BONDS - DESCRIPTION OF THE BONDS").
AUTHORITY FOR ISSUANCE OF THE BONDS	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 (collectively, the "Ordinance") (see "THE BONDS - AUTHORITY FOR ISSUANCE OF THE BONDS").
SECURITY FOR THE BONDS	The Bonds constitute direct obligations of the City, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, as provided in the Ordinance (see "THE BONDS - SECURITY AND SOURCE OF PAYMENT").
REDEMPTION	The Bonds are not subject to redemption prior to maturity. (see "THE BONDS - OPTIONAL REDEMPTION").
TAX EXEMPTION	In the opinion of 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. See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.
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.)
USE OF PROCEEDS	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 "PLAN OF FINANCING - SOURCES AND USES OF FUNDS").
RATINGS	S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating to the Bonds of "AA" based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Bonds have also been assigned an underlying rating "A+" by S&P. An explanation of the significance of such rating may be obtained from S&P (see "RATINGS" herein).

BOOK-ENTRY-ONLY SYSTEM	The definitive Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the beneficial owners 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 participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "THE BONDS - BOOK-ENTRY-ONLY SYSTEM").
PAYMENT RECORD	The City has never defaulted on the payment of its bonded indebtedness.

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SELECTED FINANCIAL INFORMATION

2020 Certified Net Taxable Assessed Valuation…… (100% of Market Value as of January 1, 2016)	$111,283,545 [a]
City Debt:	
Outstanding Tax Supported Debt (as of April 30, 2021)……	$3,096,000 [b]
Plus: The Bonds……....	1,515,000
Total Tax Supported Debt……....	$4,611,000
Estimated Overlapping Debt…….....	$7,402,406
Direct and Estimated Overlapping Debt……	$12,013,406
Debt Service Fund Balance (as of September 30, 2020)……	$307,489

	% of 2020 Assessed Valuation	2020 Per Capita (1,915)
Debt Ratios:		
Direct Tax Supported Debt…….	4.14%	$2,408
Direct Tax Supported and Estimated Overlapping Debt……..	10.80%	$6,273

2020 Tax Rate (per $100 of Assessed Valuation)	
Maintenance and Operation	$0.392200
Debt Service ……	0.238600
Total ……	$0.630800
Estimated Annual Debt Service Requirements……..	
Average……	$506,742
Maximum (2022)…….	$607,303
Tax Collections	
Current Year…….	In Process
Total Collections……..	In Process

[a] Provided by the Ellis 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] Does not include outstanding debt payable from maintenance and operations taxes. Excludes the Refunded Obligations.

OFFICIAL STATEMENT

RELATING TO

$1,515,000
CITY OF ITALY
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2021

INTRODUCTION

This Official Statement, which includes the cover pages, Schedule I, and Appendices hereto, provides certain information regarding the issuance of $1,515,000 City of Italy, Texas, General Obligation Refunding Bonds, Series 2021 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance of the City Council of the City of Italy, Texas (the "City"), authorizing the issuance of the Bonds and the pricing certificate executed pursuant thereto (collectively, the "Ordinance") except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Bonds and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Government Capital Securities Corporation, Southlake, Texas.

DESCRIPTION OF THE CITY

The City is a political subdivision and Type A general law municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City Council is comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in odd-numbered years and the other terms of the three Councilmembers expiring in even-numbered years. Some of the services that the City provides are: public safety (police protection), highways and streets, water and sanitary sewer utilities, animal control, public improvements, planning and zoning, and general administrative services. The 2000 Census population was 1,993, and the 2010 Census population was 1,863.

PLAN OF FINANCING

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 "SOURCES AND USES OF FUNDS").

REFUNDED OBLIGATIONS

The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the redemption date of the Refunded Obligations, from funds to be deposited by the City in the amount necessary to accomplish the discharge and final payment of the Refunded Obligations. For more information regarding the Refunded Obligations, see "SCHEDULE I - Refunded Obligations.

SOURCES AND USES OF FUNDS

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

Sources of Funds		
Principal Amount	$	1,515,000.00
Net Premium/Discount		159,753.20
Total	$	1,674,753.20
Uses of Funds		
Refunding Deposit	$	1,595,033.58
Costs of Issuance[(1)]		64,876.49
Bond Insurance		6,500.00
Debt Service Fund Deposit		8,343.13
Total	$	1,674,753.20

(1) Includes Underwriter's Discount.

THE BONDS

DESCRIPTION OF THE BONDS

Interest on the Bonds will accrue from the Date of Delivery, and the Bonds mature on August 1 in each of the years and in the amounts shown on the inside cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 1 and August 1, commencing February 1, 2022. The Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York ("DTC") pursuant to the Book-Entry-Only System described herein. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar, initially UMB Bank, N.A., Austin, Texas, to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see "BOOK-ENTRY-ONLY SYSTEM").

AUTHORITY FOR ISSUANCE OF THE BONDS

The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, including particularly Chapter 1207, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT

The Bonds are direct obligations of the City, payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, on all taxable property in the City. See "TAX INFORMATION."

OPTIONAL REDEMPTION

The Bonds are not subject to redemption prior to maturity.

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 believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

The City cannot and does not give any assurance that (1) DTC will distribute payments of debt service on the 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 Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly- owned subsidiary of The Depository Trust & Clearing City ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing City and Fixed Income Clearing City, all of which are registered clearing agencies. DTC 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 companies 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 The 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 certificates representing their ownership interests in the 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 affect 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 the 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 register and request that copies of the notices be provided directly to them.

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 and interest 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 of each series, 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 nor its nominee, the Paying Agent/Registrar of each series, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or Paying Agent/Registrar of each series, 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.

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.

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

EFFECT OF TERMINATION OF BOOK-ENTRY-ONLY SYSTEM . . . In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates will be issued to the holders and the Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "THE BONDS - TRANSFER, EXCHANGE AND REGISTRATION" below. Discontinuance by the City of DTC's Book-Entry-Only system may require consent of participants under DTC operations and arrangements.

PAYING AGENT/REGISTRAR

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

TRANSFER, EXCHANGE AND REGISTRATION

In the event the Book-Entry-Only System should be discontinued, 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 transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the principal payment office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

RECORD DATE FOR INTEREST PAYMENT

The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 15th day of the preceding month.

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

DEFEASANCE

The City reserves the right to defease the Bonds in any manner now or hereafter allowed by law.

REMEDIES OF HOLDERS OF THE BONDS

The Ordinance does not provide for the appointment of a trustee to represent the interests of the holders of the Bonds 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 the Bonds could seek a judgment against the City if a default occurred in the payment of principal of or interest on any such Bond; however, such judgment could not be satisfied by execution against any property of the City and a suit for monetary damages could be vulnerable to the defense of sovereign immunity. A registered owner's only practical remedy, if a default occurs, is a mandamus or mandatory injunction proceeding to compel the City to levy, assess and collect an annual ad valorem tax sufficient to pay principal of and interest on the 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 Bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad

discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors, including rights afforded to creditors under the Bankruptcy Code.

TAX INFORMATION

AD VALOREM TAX LAW

The appraisal of property within the City is the responsibility of the Ellis County Appraisal District (the "Appraisal District"). Excluding agricultural and open-space land, which may be taxed on the basis of productive capacity, the Appraisal District is required under the Property Tax Code 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, different methods of appraisal may be used, including the cost method of appraisal, the income method of appraisal and market data comparison method of appraisal, and the method considered most appropriate by the chief appraiser is to be used. State law further limits the appraised value of a residence homestead for a tax year to an amount not to exceed the lesser of (1) the market value of the property, or (2) the sum of (a) 10% of the appraised value of the property for the last year in which the property was appraised for taxation times the number of years since the property was last appraised, plus (b) the appraised value of the property for the last year in which the property was appraised plus (c) the market value of all new improvements to the property. The value placed upon property within the Appraisal District is subject to review by an Appraisal Review Board, consisting of three members appointed by the Board of Directors of the Appraisal District. The Appraisal District is required to review the value of property within the Appraisal District at least every three years. The City may require annual review at its own expense, and is entitled to challenge the determination of appraised value of property within the City by petition filed with the Appraisal Review Board.

Reference is made to Title I of the Texas Tax Code (the "Property Tax Code"), for identification of property subject to taxation; property exempt or which may be exempted from taxation, if claimed; the appraisal of property for ad valorem taxation purposes; and the procedures and limitations applicable to the levy and collection of ad valorem taxes.

Article VIII of the State Constitution ("Article VIII") and State law provide for certain exemptions from property taxes, the valuation of agricultural and open-space lands at productivity value, and the exemption of certain personal property from ad valorem taxation.

Under Section 1-b, Article VIII, and State law, the governing body of a political subdivision, at its option, may grant an exemption of not less than $3,000 of the market value of the residence homestead of persons 65 years of age or older and the disabled from all ad valorem taxes thereafter levied by the political subdivision. Additionally, the governing body of a political subdivision may grant an exemption of up to 20% of the market value of all residence homesteads, with a minimum exemption of $5,000. Pursuant to a constitutional amendment approved by the voters on November 3, 2015 and Senate Bill 1 passed by the 84th Legislature, cities may not reduce the amount of or repeal an optional homestead exemption granted for the 2014 tax year (fiscal year 2015) for a period running through December 31, 2019.

The surviving spouse of an individual who qualifies for the foregoing exemption for the residence homestead of a person 65 or older (but not the disabled) is entitled to an exemption for the same property in an amount equal to that of the exemption for which the deceased spouse qualified if (i) the deceased spouse died in a year in which the deceased spouse qualified for the exemption, (ii) the surviving spouse was at least 55 years of age at the time of the death of the individual's spouse and (iii) the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse.

In the case of residence homestead exemptions granted under Section 1-b, Article VIII, ad valorem taxes may continue to be levied against the value of homesteads exempted where ad valorem taxes have previously been pledged for the payment of debt if cessation of the levy would impair the obligation of the contract by which the debt was created.

State law and Section 2, Article VIII, mandate an additional property tax exemption for disabled veterans or the surviving spouse or children of a deceased veteran who died while on active duty in the armed forces; the exemption applies to either real or personal property with the amount of assessed valuation exempted ranging from $5,000 to a maximum of $12,000. A disabled veteran (and their surviving spouse) who receives from the United States Department of Veterans Affairs or its successor a rating of 100% disabled is entitled to an exemption from taxation of the total appraised value of the resident's homestead. The surviving spouse of a 100% disabled veteran who died prior to the effective date of the homestead exemption is entitled to exemption, but only if the surviving spouse has not remarried since the death of the disabled veteran. A partially disabled veteran or the surviving spouses of a partially disabled veteran is entitled to an exemption from taxation of a percentage of the appraised value of their residence homestead in an amount equal to the partially disabled veteran's disability rating if the residence homestead was donated by a charitable organization. Also, the surviving spouse of a member of the armed forces who was killed in action is, subject to certain conditions, entitled to an exemption of the total appraised value of the surviving spouse's residence homestead, and subject to certain conditions, an exemption up to the same amount may be transferred to a subsequent residence homestead of the surviving spouse.

Article VIII provides that eligible owners of both agricultural land (Section 1-d) and open-space land (Section 1-d-1), including open- space land devoted to farm or ranch purposes or open-space land devoted to timber production, may elect to have such property appraised for property taxation on the basis of its productive capacity. The same land may not be qualified under both Section 1-d and 1-d-1.

Nonbusiness personal property, such as automobiles or light trucks, are exempt from ad valorem taxation unless the governing body of a political subdivision elects to tax this property. Boats owned as nonbusiness property are exempt from ad valorem taxation.

Article VIII, Section 1-j, provides for "freeport property" to be exempted from ad valorem taxation. Freeport property is defined as goods detained in Texas for 175 days or less for the purpose of assembly, storage, manufacturing, processing or fabrication. Decisions to continue to tax may be reversed in the future; decisions to exempt freeport property are not subject to reversal.

Article VIII, Section 1-n of the Texas Constitution provides for the exemption from taxation of "goods-in-transit." "Goods-in-transit" is defined by a provision of the Tax Code, which is effective for tax years 2008 and thereafter, as personal property acquired or imported into Texas and transported to another location in the State or outside of the State within 175 days of the date the property was acquired or imported into Texas. The exemption excludes oil, natural gas, petroleum products, aircraft and special inventory, including motor vehicle, vessel and out-board motor, heavy equipment and manufactured housing inventory. The Tax Code provision permits local governmental entities, on a local option basis, to take 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. A taxpayer may receive only one of the freeport exemptions or the goods-in-transit exemptions for items of personal property.

The City may create tax increment financing zones, under which the tax values on property in the zone are "frozen" at the value of the property at the time of creation of the zone. Tax revenues collected on values above the "frozen" value must be deposited in a tax increment fund for the zone. The City also may enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The City in turn exempts from taxation 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.

Cities are also authorized, pursuant to Chapter 380, Texas Local Government Code ("Chapter 380") to establish programs to promote state or local economic development and to stimulate business and commercial activity in the City. In accordance with a program established pursuant to Chapter 380, the City may make loans or grant of public funds for economic development purposes; however, no obligations secured by ad valorem taxes may be issued for such purposes unless approved by voters of the City.

Under Article VIII and State law, the governing body of a county, municipality or junior college district, may freeze the total amount of ad valorem taxes levied on the residence homestead of a disabled person or persons 65 years of age or older to the amount of taxes imposed in the year such residence qualified for such exemption. Also, upon receipt of a petition signed by five percent of the registered voters of the county, municipality or junior college

district, an election must be held to determine by majority vote whether to establish such a limitation on taxes paid on residence homesteads of persons 65 years of age or who are disabled. Upon providing for such exemption, such freeze on ad valorem taxes is transferable to a different residence homestead. Also, a surviving spouse of a taxpayer who qualifies for the freeze on ad valorem taxes is entitled to the same exemption so long as the property was the residence homestead of the surviving spouse when the deceased spouse died and remains the residence homestead of the surviving spouse and the spouse was at least 55 years of age at the time of the death of the individual's spouse. If improvements (other than repairs or improvements required to comply with governmental requirements) are made to the property, the value of the improvements is taxed at the then current tax rate, and the total amount of taxes imposed is increased to reflect the new improvements with the new amount of taxes then serving as the ceiling on taxes for the following years. Once established, the tax rate limitation may not be repealed or rescinded. The City can make no representations or predictions concerning the impact such tax limitation would have on the City's tax rate, financial condition or ability to make debt service payments.

EFFECTIVE TAX RATE AND ROLLBACK TAX RATE

By each September 1 or as soon thereafter as practicable, the City Council adopts a tax rate per $100 taxable value for the current year. The City Council will be required to adopt the annual tax rate for the City before the later of September 30 or the 60th day after the date the certified appraisal roll is received by the City. If the City Council does not adopt a tax rate by such require d date the tax rate for that tax year is the lower of the effective tax rate calculated for that tax year or the tax rate adopted by the City for the preceding tax year. The tax rate consists of two components: (1) a rate for funding of maintenance and operation expenditures, and (2) a rate for debt service.

Under the Property Tax Code, the City must annually calculate and publicize its "effective tax rate" and "rollback tax rate." Effective 2005, a tax rate cannot be adopted by the City Council that exceeds the lower of the rollback tax rate or the effective tax rate until two public hearings have been held on the proposed tax rate following notice of such public hearings (including the requirement that notice be posted on the City's website if the City owns, operates or controls an internet website and public notice be given by television if the City has free access to a television channel) and the City Council has otherwise complied with the legal requirements for the adoption of such tax rate. If the adopted tax rate exceeds the rollback tax rate the qualified voters of the City by petition may require that an election be held to determine whether or not to reduce the tax rate adopted for the current year to the rollback tax rate.

"Effective tax rate" means the rate that will produce last year's total tax levy (adjusted) from this year's total taxable values (adjusted). "Adjusted" means lost values are not included in the calculation of last year's taxes and new values are not included in this year's taxable values.

"Rollback tax rate" means the rate that will produce last year's maintenance and operation tax levy (adjusted) from this year's values (adjusted) multiplied by 1.08 plus a rate that will produce this year's debt service from this year's values (unadjusted) divided by the anticipated tax collection rate.

The Property Tax Code provides that certain cities and counties in the State may submit a proposition to the voters to authorize an additional one-half cent sales tax on retail sales of taxable items. If the additional tax is levied, the effective tax rate and the rollback tax rate calculations are required to be offset by the revenue that will be generated by the sales tax in the current year.

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.

PROPERTY ASSESSMENT AND TAX PAYMENT

Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses an average of the daily price of oil and gas for the prior year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

PENALTIES AND INTEREST

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

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

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 15% attorney's collection fee is added to the total tax penalty and interest charge. Under certain circumstances, taxes which become delinquent on the homestead of a taxpayer 65 years old or older incur a penalty of 8% per annum with no additional penalties or interest assessed. In general, property subject to the City's lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older.

The City has not granted an additional exemption of 20% of the market value of residence homesteads; minimum exemption of $5,000.

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

Ad valorem taxes are levied by the City against the exempt value of residence homesteads for the payment of debt.

The City does not tax nonbusiness personal property; and Ellis County collects taxes for the City.

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

The City does not tax freeport property.

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

The City has not adopted a tax abatement policy.

MUNICIPAL SALES TAX

The City has adopted the provisions of V.A.T.C.S. Tax Code § 321.001 et seq., which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City. The proceeds of such tax are credited to the General Fund and are not pledged to payment of the Bonds. Collections and enforcements are effected through the offices of the State Comptroller of Public Accounts, who monthly remits the proceeds of the tax, after deduction of a 2% service fee, to the City.

The Tax Code provides certain cities and counties the option of assessing a maximum one-half percent (1/2%) sales 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 tax is approved and levied, the ad valorem property tax levy must

be reduced by the estimated amount of the sales tax revenues to be generated in the current year. Subject to the approval of a majority of the voters in a local option election, state law also provides certain cities the option of assessing a sales and use tax for a variety of other purposes, including economic and industrial development, municipal street maintenance and repair, and sports and community venues.

State law limits the maximum aggregate sales and use tax rate in any area to 8¼%. Accordingly, the collection of local sales and use taxes in the area of the City (including sales and use taxes levied by the City) is limited to no more than 2% (when combined with the State sales and use tax rate of 6¼%).

TAX RATE LIMITATIONS

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

RETIREMENT PLAN

The City participates in the Texas Municipal Retirement System which is a joint contributory retirement plan covering all full-time employees. There are no benefits guaranteed other than to the extent provided by employee and employer contributions, plus earnings, accumulated in the individual accounts of employees. The contribution rate for employees is 5% of their annual covered salary. The City is required to contribute at an actuarially determined rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the City to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded actuarial liability over the remainder of the plan's 25-year amortization period. For the year ended September 30, 2020 the City recognized a pension expense of $27,220.

For additional information regarding the City's Pension Plans, see Appendix C - "Audited Financial Statements for the Fiscal Year Ended September 30, 2020, Note D – Texas Municipal Retirement System".

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 C "Audited Financial Statements for the Fiscal Year Ended September 30, 2020").

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, 2020, 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
TexSTAR	$2,944
Total	$2,944

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 issued a series of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on March 2, 2021 of Executive Order GA-34, which, among other things, removed any COVID-19 related operating limits for any business or other establishment and ended the State-wide mask mandate, effective March 10, 2021. The Governor's order also maintains, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding

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

The pandemic has negatively affected travel, commerce and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values within the City. The Obligations 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 Obligations as well as the City's operations and maintenance expenses. See "TAX INFORMATION – Effective Tax Rate and Rollback Tax Rate" and "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.

TAX MATTERS

In the opinion of Naman, Howell, Smith & Lee PLLC ("Bond Counsel"), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the 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 D hereto.

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 Issuer 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 Issuer, or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Issuer 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 Issuer 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 Issuer 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 Issuer 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 Issuer or the Beneficial Owners to incur significant expense.

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the 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"). Information will be available free of charge via the 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 via EMMA. The information to be updated includes all quantitative financial information and operating data of the general type included in APPENDIX A - Financial Information for the City in Tables 1 through 5 and 7 through 9, and in APPENDIX C. The City will update and provide this information within nine months after the end of each fiscal year.

The City may provide updated information in full text or may incorporate by reference other publicly available documents, as permitted by the United Stated Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule"). The updated information will include audited financial statements if the City commissions an audit and the audit is completed by the required time. If audited financial statements are not available by the required time, the City will provide such financial statements on an unaudited basis within the required time and audited financial statements when they become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX C 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, the City must provide updated information by March 31 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES

The City will also provide the following to the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten (10) business days after the occurrence of the event, notice of any of the

following events with respect to the 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. In addition, the City will provide to the MSRB, in a timely manner, notice of any failure by the City to provide the required annual financial information described above under "Annual Reports" in accordance with this section.

For these purposes, any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City.

For the events listed in clause (15) and (16) above, the term "financial obligation" means a: (A) debt obligation; (B) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) a guarantee of either (A) or (B). The term "financial obligation" shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with Rule 15c2-12.

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 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 of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreement from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, if (i) the agreement, as amended, would have permitted an underwriter to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (ii) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent to the amendment or (b) any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. The City may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provisions of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but

only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

If the City so amends the agreement, it has agreed to include with the next financial information and operating data provided in accordance with its agreement described above under "Annual Reports" an explanation, in narrative form, of the reasons for the amendment and of the impact of any change in the type of financial information and operating data so provided.

COMPLIANCE WITH PRIOR UNDERTAKINGS

During the last five years, the City has complied with its prior continuing disclosure agreements entered into pursuant to the Rule.

OTHER INFORMATION

RATINGS

S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") has assigned a rating to the Bonds of "AA" based upon the Municipal Bond Insurance Policy to be issued by Build America Mutual Assurance Company. The Bonds have also been assigned an underlying rating of "A+" by S&P. An explanation of the significance of such ratings may be obtained from S&P. The rating reflects only the view of S&P and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by S&P, if in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the Underwriter nor the City has undertaken any responsibility to bring to the attention of the holders of the Bonds any proposed revision or withdrawal of the rating of the Bonds or to oppose any such proposed revision or withdrawal. Any such change in or withdrawal of such ratings could have an adverse effect on the market price of the Bonds.

LITIGATION

The City is a defendant in various lawsuits and is aware of pending claims arising in the ordinary course of its municipal and enterprise activities. Although the outcome of these cases has not presently been determined, it is the opinion of the City that resolution of these matters will not have a material adverse effect on the financial condition of the City or restrain the City from issuance of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - RATINGS" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are

legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the approving legal opinion 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 transcript of proceedings, the approving legal opinion of Bond Counsel in substantially the form attached hereto as APPENDIX D. Bond Counsel has reviewed the statements and information appearing in this Official Statement under the captions "THE BONDS" (except the subcaptions "Book-Entry-Only System" and "Remedies Of Holders Of The Bonds") and "CONTINUING DISCLOSURE OF INFORMATION" (except the subcaption "Compliance With Prior Undertakings") and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately reflect the provisions of the Ordinance; further, Bond Counsel has reviewed the statements and information contained in this Official Statement under the captions "TAX MATTERS," "OTHER INFORMATION - Registration And Qualification Of Bonds For Sale," "OTHER INFORMATION - Legal Investments And Eligibility To Secure Public Funds In Texas," and "OTHER INFORMATION - Legal Matters" (except for the last sentence of the first paragraph) and Bond Counsel is of the opinion that the statements and information contained therein fairly and accurately describe the laws and legal issues contained therein. 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. The legal fees to be paid to Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent upon the sale and delivery of the Bonds. Certain matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, Houston, Texas, Counsel for the Underwriter, whose fee is contingent upon the sale and delivery of the Bonds.

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

AUTHENTICITY OF FINANCIAL DATA AND OTHER INFORMATION

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

FINANCIAL ADVISOR

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

Misty Culpepper, CPA, PLLC, the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. The report of Misty Culpepper, CPA, PLLC relating to City's financial statements for the fiscal year ended September 30, 2020 is included in this Official Statement in APPENDIX C; however, Misty Culpepper, CPA, PLLC 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

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City at a price of $1,655,891.71 (representing the principal amount of the Bonds, plus a premium in the amount of $159,753.20, less an underwriting discount of $18,861.49). The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds, and such public offering prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in acceptance 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.

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SCHEDULE I - SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Refunding Bonds, Series 2011

Maturity Date	Interest Rate	Par Amount to be Refunded	Call Date	Call Price
8/1/2022	3.406%	$135,000	8/2/2021	100%
8/1/2023	3.406%	$140,000	8/2/2021	100%
8/1/2024	3.406%	$145,000	8/2/2021	100%
8/1/2025	3.406%	$150,000	8/2/2021	100%
8/1/2026	3.406%	$155,000	8/2/2021	100%
8/1/2027	3.406%	$160,000	8/2/2021	100%
8/1/2028	3.406%	$170,000	8/2/2021	100%
8/1/2029	3.406%	$175,000	8/2/2021	100%
8/1/2030	3.406%	$180,000	8/2/2021	100%
8/1/2031	3.406%	$185,000	8/2/2021	100%
		$1,595,000		

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APPENDIX A

FINANCIAL INFORMATION FOR THE CITY

ASSESSED VALUATION **TABLE 1**

2020 Market Valuation (excluding totally exempt property)		$151,715,817
Less Exemptions:		
Local, Optional Over-65 and/or Disabled Homestead Exemptions	$ 1,428,330	
Disabled and Deceased Veterans' Exemptions	111,000	
Productivity Value Loss	6,708,497	
Homestead 10% Cap Adjustment	10,172,724	
Abatement	0	
Freeport	0	
Other	22,011,721	40,432,272
2020 Net Taxable Assessed Valuation (100% of Actual)		$111,283,545

_____

Source: Ellis County Appraisal District.

TAXABLE ASSESSED VALUATIONS BY CATEGORY **TABLE 2**

	Tax Year 2020	Tax Year 2019	Tax Year 2018	Tax Year 2017	Tax Year 2016
Gross Value	$151,715,817	$123,012,337	$101,651,387	$83,539,979	$80,875,481
Less Exemptions	40,432,272	28,441,571	21,531,120	11,703,106	10,250,745
Net Taxable Value	$111,283,545	$ 94,570,766	$ 80,120,267	$71,836,873	$70,624,736

VALUATION AND TAX DEBT HISTORY **TABLE 3**

Fiscal Year Ended 9/30	Estimated Population[a]	Taxable Assessed Valuation[b]	Taxable Assessed Valuation Per Capita	Tax Supported Debt Outstanding[c]	Ratio of Tax Supported Debt to Assessed Valuation	Tax Supported Debt Per Capita
2017	1,935	$ 70,624,736	$36,499	$6,180,000	8.75%	$3,194
2018	1,935	71,836,873	37,125	5,780,000	8.05%	2,987
2019	1,937	80,120,267	41,363	5,595,000	6.98%	2,888
2020	1,915	94,570,766	49,384	5,151,000	5.45%	2,690
2021	1,915	111,283,545	58,112	4,616,000[d]	4.15%	2,410

(a) Source: The City and The Municipal Advisory Council of Texas

(b) As reported by the Ellis County Appraisal District on the District's annual State Property Tax Reports and such values are subject to change during ensuing year.

(c) Does not include the City's Series 2012 Sales Tax Revenue Bonds.

(d) Projected, subject to change. Includes the Bonds and excludes the Refunded Obligations.

PROPERTY TAX RATES AND COLLECTIONS[A] **TABLE 4**

Tax Year	Net Taxable Assessed Valuation	Tax Rate	Collection % Current	Collection % Total	Tax Levy[b]	Fiscal Year Ended
2016	$ 70,624,736	$0.926327	99.38%	99.38%	$634,964	9-30-17
2017	71,836,873	0.906439	101.51%	101.51%	651,158	9-30-18
2018	80,120,267	0.852883	100.38%	100.38%	683,322	9-30-19
2019	94,570,766	0.721586	100.32%	100.32%	682,293	9-30-20
2020	111,283,545	0.630800	In Process		701,918	9-30-21

(a) See "TAX INFORMATION - 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: The City, Ellis County Appraisal District and The Municipal Advisory Council of Texas.

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

	2020-21	2019-20	2018-19	2017-18	2016-17
Maintenance & Operations	$0.392200	$0.438745	$0.511387	$0.495117	$0.513269
I & S Fund	0.238600	0.282841	0.341496	0.411322	0.413058
TOTAL	$0.630800	$0.721586	$0.852883	$0.906439	$0.926327

Source: The City and Ellis County Appraisal District.

PRINCIPAL TAXPAYERS **TABLE 5**

Name	Type of Business	2020/21 Net Taxable Assessed Valuation	% of Total 2020/21 Assessed Valuation*
Love's Travel Stops and Country St.	Travel Stop	$ 4,250,000	3.82%
McDonalds Real Estate Co.	Restaurant	3,350,000	3.01%
Salo Investment LP	Financial Advisory Services	2,849,840	2.56%
Love's Travel Stop #628	Travel Stop	2,522,340	2.27%
Superior Commercial Concrete LLC	Concrete Manufacturer	2,206,496	1.98%
Ohi Asset TX Italy LLC	Medical Clinic	1,950,000	1.75%
Saldena Properties LP	Commercial Real Estate	1,629,210	1.46%
Ellis County Holdings LLC	Commercial Land	1,363,470	1.23%
Ladd Vien	Residential	1,253,140	1.13%
Brookshire Grocery Company	Grocery Store	1,133,290	1.02%
Total		$22,507,786	20.23%

* Based on 2020 Net Taxable Assessed Valuation of $111,283,545.

Source: Ellis County Appraisal District

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ESTIMATED OVERLAPPING DEBT **TABLE 6**

Expenditures of the various taxing entities within the territory of the City are paid out of ad valorem taxes levied by such entities on properties within the City. Such entities are independent of the City and may incur borrowings to finance their expenditures. This statement of direct and estimated overlapping ad valorem tax bonds ("Tax Debt") was developed from information contained in "Texas Municipal Reports" published by the Municipal Advisory Council of Texas. Except for the amounts relating to the City, the City has not independently verified the accuracy or completeness of such information, and no person should rely upon such information as being accurate or complete. Furthermore, certain of the entities listed may have issued additional bonds since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional bonds, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City..

Taxing Jurisdiction	As of	Total Debt[a]	Estimated % Overlapping	Overlapping Debt
Ellis County	04/30/21	$31,020,000	0.61%	$ 189,222
Italy ISD	04/30/21	11,990,000	60.16%	7,213,184
Estimated (Net) Overlapping Debt				$ 7,402,406
Italy, City of[b][c]				4,616,000
Total Direct & Estimated Overlapping Debt				$12,013,406
As a % of 2020 Certified Taxable Assessed Valuation				10.80%

[a] Gross Debt.
[b] Includes the Bonds.
[c] Does not include outstanding debt payable from maintenance and operations taxes..

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DEBT INFORMATION

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS — TABLE 7

Fiscal Year 30-Sept	Total Outstanding Debt Service	Less Refunded Obligations Debt Service	Principal	Interest	Total Debt Service
2022	$ 621,305.10	$ 189,325.70	$ 130,000.00	$ 45,323.75	$ 607,303.15
2023	544,804.60	189,727.60	135,000.00	41,550.00	531,627.00
2024	543,576.30	189,959.20	140,000.00	37,500.00	531,117.10
2025	552,004.80	190,020.50	145,000.00	33,300.00	540,284.30
2026	549,790.10	189,911.50	145,000.00	28,950.00	533,828.60
2027	512,232.20	189,632.20	150,000.00	24,600.00	497,200.00
2028	516,582.60	194,182.60	160,000.00	20,100.00	502,500.00
2029	515,192.40	193,392.40	165,000.00	15,300.00	502,100.00
2030	513,231.90	192,431.90	170,000.00	10,350.00	501,150.00
2031	515,701.10	191,301.10	175,000.00	5,250.00	504,650.00
2032	322,400.00	-	-	-	322,400.00
TOTAL	$5,706,821.10	$1,909,884.70	$1,515,000.00	$262,223.75	$5,574,160.15

[a] *Does not include the City's Series 2012 Sales Tax Revenue Bonds.*

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT — TABLE 8

The City has no general obligation debt authorized but unused. It is not the intent of the City to seek voter approval for additional funds for General Obligation Bonds in the next twelve to eighteen months.

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SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY — TABLE 9

For Fiscal Year Ended September 30th

	2020	2019	2018	2017	2016
REVENUES					
Property Tax	$ 417,748	$ 411,483	$ 361,659	$ 362,461	$ 290,871
Sales Tax	404,851	384,931	339,984	352,555	343,698
Franchise Tax	75,407	76,687	70,423	69,604	72,433
Hotel Occupancy Tax	5,380	9,136	5,533	4,255	4,059
Licenses, Permits and Fees	45,267	66,263	54,164	105,036	22,570
Fines and Forfeitures	244,414	317,599	246,547	197,224	209,618
Revenues from Use of Money and Property	1,266	990	720	673	635
Intergovernmental	268,377	32,700	38,550	7,330	59,041
Contributions	4,044	7,301	7,892	8,335	8,364
Other Revenue	89,361	42,215	7,679	32,564	61,511
Total Revenues	$ 1,555,915	$ 1,349,305	$ 1,133,151	$ 1,140,037	$ 1,072,800
EXPENDITURES					
Administration	$ 337,351	$ 340,360	$ 395,630	$ 368,070	$ 407,656
Public Safety:					
Police Department	686,006	651,637	479,439	449,844	482,797
Municipal	136,169	115,219	76,837	81,710	83,379
Fire Department	2,400	-	-	231	17,037
Streets	378,938	101,654	150,884	15,385	120,034
Economic Development	-	-	-	-	-
Debt Service					
Principal Retirement	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-
Total Expenditures	$ 1,540,864	$ 1,208,870	$ 1,102,790	$ 915,240	$ 1,110,903
EXCESS OF REVENUES OVER (UNDER EXPENDITURES	15,051	140,435	30,361	224,797	(38,103)
OTHER FINANCING SOURCES					
Proceeds from Loans	-	55,603	-	-	-
Transfers In	(64,328)	11,082	35,050	3,600	119,970
Transfers Out	-	-	-	(17,698)	-
Total Other Financing Sources and Uses	(64,328)	66,685	35,050	(14,098)	119,790
Net Change in Fund Balance	(49,277)	207,120	65,411	210,699	81,687
Fund Balances - Beginning	934,438	727,318	661,907	451,208	369,521
Fund Balances - Ending	$ 885,161	$ 934,438	$ 727,318	$ 661,907	$ 451,208

Source: *The City's audited financial statements.*.

PENSION FUND

The City of Italy is part of the Texas Municipal Retirement System.

OTHER POST-EMPLOYMENT BENEFITS

The City also participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund.

APPENDIX B

GENERAL INFORMATION REGARDING THE CITY

THE CITY

The City of Italy is at the junction of U.S. Highway 77 and State Highway 34, on the Blackland Prairie forty-five miles south of Dallas in southwest Ellis County. Although a few families had settled in the vicinity by 1860, the Aycock brothers built the first house on the present site of the town in 1879 and used it as a dwelling, grocery store, and post office. Settlers found the land good for cotton, corn, sweet potatoes, and wheat. The greatest impetus for growth occurred in December 1890, when the Missouri, Kansas and Texas Railroad arrived, and the town became a market center for the surrounding area. The next year the first newspaper was published, and Italy was officially incorporated.

Besides trade and agriculture, residents were attracted to Italy because of its many schools and churches. Italy Institute, Southwestern Normal College, and Hope Institute educated the youth of the community and the surrounding counties. The International-Great Northern Railroad reached the town in 1901. In 1913 the first cream and crimson interurbans opened service between Dallas and Waco on what became the Texas Electric Railway. Cotton ruled the economy by the 1920s, when Italy had five gins, a compress, and a cottonseed oil mill. The main road through Italy, a graded dirt road stretching from Dallas to Waco, was known as the King of Trails Highway. Although the local ice plant produced some electricity for the town, most electricity was brought in from Waco by transmission towers built by the Texas Electric.

The town has become a bedroom community for the Dallas-Fort Worth area. The town sponsors an Italian festival each June and supports the S. M. Dunlap Memorial Library. In 1990 the population was 1,699. The 2000 Census population was 1,993, and the 2010 Census population was 1,863. The City covers approximately 1.8 square miles.

EDUCATION

The City is served by the Italy Independent School District. District campuses include Italy High School, grades 7-12 and Stafford Elementary School, grades Pre-Kindergarten-6. The District is classified 2A by the University Interscholastic League.

Source: The City

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APPENDIX C

AUDITED FINANCIAL STATEMENTS DATED SEPTEMBER 30, 2020

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CITY OF ITALY, TEXAS
FINANCIAL STATEMENTS
YEAR ENDED SEPTEMBER 30, 2020
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CITY OF ITALY, TEXAS
CITY OFFICIALS
SEPTEMBER 30, 2020

Bryant Cockran	Mayor
Randy Boyd	Mayor Pro-tem
Luin McConnell	Council Member
Vincent Fleming	Council Member
Emerline Allen Bell	Council Member
Raymond Mosley	Council Member

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Misty Culpepper
Certified Public Accountant
A Professional Limited Liability Company

Misty Culpepper, CPA
208 W. Knox Street
Ennis, TX 75119
P.O. Box 8, Ennis, TX 75120
Office: 972.268.6940
Fax: 972.200.1715
misty@mistyculpeppercpa.com

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of Italy, Texas

I have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Italy, Texas, as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I 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.

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Italy, Texas, as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages pages 4 through 9 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Italy, Texas's basic financial statements. The individual fund financial statement is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Misty Culpepper, CPA, PLLC

Misty Culpepper, CPA, PLLC
Certified Public Accountant

December 29, 2020

CITY OF ITALY, TEXAS

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Italy, we offer readers of the City's financial statement this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2020.

FINANCIAL HIGHLIGHTS

- The assets of the City of Italy exceeded its liabilities at the close of the most recent fiscal year by $3,744,481 (Net Position).
- The City's total net position increased by $95,910.
- As of the close of the current fiscal year, the City of Italy's general fund reported ending fund balance of $885,161.

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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flow. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes and earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from 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, streets and economic development. The business-type activities of the City include utility operations.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate higher education facility corporation for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself. Separate financial statements for this component unit are not issued. The Italy Economic Development Corporation, Inc. (Corporation),

although also legally separate, functions for all practical purposes as a part of the City, and therefore has been included as a blended component unit as an integral part of the primary government. Separate financial statements for this component unit are not issued.

The government-wide financial statements can be found on page 10-11 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 proprietary 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 current sources and uses 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 funds balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balance for the General fund, Economic Development Corporation and Debt Service fund, which are considered to be major funds. Data from the other funds is combined into a single, aggregated presentation.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental funds financial statements can be found on page 12-14.

Proprietary Funds – The City maintains one type of proprietary fund. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The utility fund accounts for the activities of the water distribution system, the sewage facilities, and trash collection.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Utility fund since it is considered to be a major fund of the City.

The basic proprietary fund financial statements can be found on pages 15-17 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 18-39 of this report.

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City's General fund and Economic Development Corporation's Budget Comparison Schedules. Required supplementary information can be found on page 43 of this report.

This report also presents an individual fund financial schedule in connection with the utility fund. This individual fund financial schedule can be found on page 46 of this report.

GOVERNMENTAL-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the City of Italy, assets exceeded liabilities by $3,744,481 as of September 30, 2020.

The largest portion of the City's net position reflects its investments in capital assets (e.g., land, buildings, improvements, machinery and equipment, construction in progress and infrastructure), less any debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF ITALY'S NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 1,740,959	$ 2,022,528	$ 736,947	$ 730,356	$ 2,477,906	$ 2,752,884
Capital assets	1,866,078	1,519,723	5,650,487	6,118,769	7,516,565	7,638,492
Total assets	3,607,037	3,542,251	6,387,434	6,849,125	9,994,471	10,391,376
Deferred Outflows of Resources	18,622	38,707	5,478	20,241	24,100	58,948
Long term liabilities	3,921,002	4,314,772	1,987,618	2,151,925	5,908,620	6,466,697
Other liabilities	108,051	112,815	212,721	191,793	320,772	304,608
Total liabilities	4,029,053	4,427,587	2,200,339	2,343,718	6,229,392	6,771,305
Deferred Inflow of Resources	20,375	6,915	6,544	3,533	26,919	10,448
Net position:						
Invested in capital assets, net of related debt	(1,920,111)	(2,650,843)	3,723,153	4,046,282	1,803,042	1,395,439
Restricted	499,493	631,936	-	-	499,493	631,936
Unrestricted	996,849	1,165,363	445,097	275,833	1,441,946	1,441,196
Total net position	$ (423,769)	$ (853,544)	$ 4,168,250	$ 4,322,115	$ 3,744,481	$ 3,468,571

An additional portion of the City's net position represents resources that are subject to external restriction on how they may be used.

Analysis of the City's Operations – The following table provides a summary of the City's operations for the year ended September 30, 2020. Governmental activities increased the net position by $429,775. Business-type activities decreased the City's net position by $333,865.

CITY OF ITALY'S CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 333,001	$ 392,946	$ 1,400,040	$ 1,308,177	$ 1,733,041	$1,701,123
Operating grants and contributions	4,709	12,384	-	-	4,709	12,384
Capital grants and contributions	268,750	42,386	-	-	268,750	42,386
General revenues:						
Property taxes	684,469	685,284	-	-	684,469	685,284
Sales tax	539,534	513,230	-	-	539,534	513,230
Franchise tax	75,407	76,687	-	-	75,407	76,687
Hotel occupancy tax	5,380	9,136	-	-	5,380	9,136
Investment earnings	7,570	6,614	2,179	2,803	9,749	9,417
Miscellaneous	64,781	11,369	-	-	64,781	11,369
Total revenues	1,983,601	1,750,036	1,402,219	1,310,980	3,385,820	3,061,016
Expenses:						
Administration	325,446	321,791	-	-	325,446	321,791
Public safety	823,991	654,420	-	-	823,991	654,420
Streets	187,464	66,808	-	-	187,464	66,808
Econcomic development	24,789	19,169	-	-	24,789	19,169
Interest on long-term debt	117,749	129,663	-	-	117,749	129,663
Utility	-	-	1,810,471	1,612,174	1,810,471	1,612,174
Total expenses	1,479,439	1,191,851	1,810,471	1,612,174	3,289,910	2,804,025
Increase (decrease) in net position before transfers and contributions	504,162	558,185	(408,252)	(301,194)	95,910	256,991
Transfers	(74,387)	169,432	74,387	(169,432)	-	-
Increase (decrease) in net position	429,775	727,617	(333,865)	(470,626)	95,910	256,991
Net position - beginning, restated	(853,544)	(1,581,161)	4,502,115	4,972,741	3,648,571	3,391,580
Net position - ending	$ (423,769)	$ (853,544)	$ 4,168,250	$ 4,502,115	$ 3,744,481	$3,648,571

- Capital grants and contributions increased by 534% during the year.
- Charges for services decreased 15% for governmental funds
- Administration expenditures increased 1.1%, public safety expenditures increased 25%, streets expenditures increased 180%, economic development expenditures increased 30%, and utility expenses increased 12%

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

At the end of the current fiscal year, the City's governmental funds reported ending fund balance of $1,496,680. A portion of fund balance is reserved to indicate that it is not available for new spending because it has already been restricted for public safety ($145,788) and for various other purposes ($117,458).

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was $621,915 while total fund balance was $885,161.

The fund balance of the City's general fund decreased $49,277 during the current fiscal year. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

Proprietary Funds – The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Utility fund at the end of the year amounted to $445,097. Net position decreased in 2020 by $333,865. Other factors concerning the finances of this fund have already been addressed in the analysis of the City's operations.

General Fund Budgetary Highlights – General fund actual revenues of $1,317,249 exceeded budgeted revenues of $1,286,997 by $30,252. General Fund actual expenditures of $1,469,907 exceeded budgeted expenditures of $1,293,430 by $176,477.

CAPITAL ASSETS

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2020, amounts to $7,516,565 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery and equipment, and infrastructure.

Capital Assets at Year-End
Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 316,452	$ 316,452	$ 193,078	$ 193,078	$ 509,530	$ 509,530
Construction in Progress	-	40,707	-	-	-	40,707
Buildings	406,047	243,863	934	1,161	406,981	245,024
Improvements	127,110	139,106	5,248,013	5,802,060	5,375,123	5,941,166
Machinery and Equipment	178,677	217,098	194,403	107,303	373,080	324,401
Infrastructure	837,792	562,497	-	-	837,792	562,497
Water rights	-	-	14,059	15,167	14,059	15,167
Total	$ 1,866,078	$ 1,519,723	$5,650,487	$ 6,118,769	$7,516,565	$ 7,638,492

Additional information on the City of Italy's capital assets can be found in Note C on page 26-27 of this report.

DEBT ADMINISTRATION

At the end of the current fiscal year, the City had a total debt of $5,508,530. This amount is backed by the full faith and credit of the government.

Outstanding Debt at Year End
Capital Lease Obligations and Note Payable

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
General obligation bonds	$ 3,229,944	$ 3,514,944	$ -	$ -	$ 3,229,944	$ 3,514,944
Revenue bonds	189,994	214,995	191,000	200,000	380,994	414,995
Certificates of obligation	-	-	1,730,000	1,860,000	1,730,000	1,860,000
Capital leases/Notes payable	161,259	218,462	6,333	12,487	167,592	230,949
Total	$ 3,581,197	$ 3,948,401	$ 1,927,333	$ 2,072,487	$ 5,508,530	$ 6,020,888

Additional information on the City of Italy's long term-debt can be found in Note C on page 29-32 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In the fiscal year 2020-2021 Budget, General fund revenues are budgeted to decrease by 2.90221% from the 2019-2020 budget year with business and franchise taxes making up about 44% of general fund budgeted revenues and property taxes making up about 32% of general fund budgeted revenues.

REQUEST FOR INFORMATION

The financial report is designed to provide a general overview of the City's finances for all those with an interest in the govnerment's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the City Administrator, 161 W. Main St., Italy, Texas 76651.

CITY OF ITALY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS				
Current Assets				
Cash and Cash Equivalents	$ 1,477,018	$ 361,608	$ 1,838,626	$ 208
Investments	2,807	137	2,944	-
Restricted Assets:				
Cash and Cash Equivalents	-	196,296	196,296	-
Receivables, Net of Allowances for Uncollectible Amounts	133,395	149,003	282,398	-
Inventory	-	9,107	9,107	-
Deferred charges	127,739	20,796	148,535	-
Capital Assets:				
Non-depreciable	316,452	193,078	509,530	-
Depreciable (Net of Accumulated Depreciation)	1,549,626	5,457,409	7,007,035	-
Total Assets	3,607,037	6,387,434	9,994,471	208
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows of Resources Related to Pensions	14,836	68	14,904	-
Deferred outflows of Resources Related to OPEB	3,786	5,410	9,196	-
Total Deferred Outflows of Resources	18,622	5,478	24,100	-
LIABILITIES				
Current Liabilities				
Accounts Payable and Other Current Liabilities	85,921	96,320	182,241	-
Customer Deposits Payable	-	116,401	116,401	-
Accrued Interest	22,130	-	22,130	-
Noncurrent Liabilities:				
Due Within One Year	445,157	189,112	634,269	-
Due in More Than One Year	3,475,845	1,816,285	5,292,130	-
Total Liabilities	4,029,053	2,218,118	6,247,171	-
DEFERRED INFLOWS OF RESOURCES				
Deferred Inflows of Resources Related to Pensions	-	6,544	6,544	-
Deferred Inflows of Resources Related to OPEB	20,375	-	20,375	-
Total Deferred Inflows of Resources	20,375	6,544	26,919	-
NET POSITION				
Invested in Capital Assets Net of Related Debt	(1,920,111)	3,723,153	1,803,042	-
Restricted for:				
Public Safety	145,788	-	145,788	-
Debt Service	307,489	-	307,489	-
Tourism	46,216	-	46,216	-
Unrestricted	996,849	445,097	1,441,946	208
Total Net Position	$ (423,769)	$ 4,168,250	$ 3,744,481	$ 208

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2020

Function / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Unit
Primary Government								
Governmental Activities:								
Administration	$ 325,446	$ 47,117	$ 4,209	$ 373	$ (273,747)	$ -	$ (273,747)	$ -
Public Safety	823,991	285,884	500	21,527	(516,080)	-	(516,080)	-
Streets	187,464	-	-	246,850	59,386	-	59,386	-
Economic Development	24,789	-	-	-	(24,789)	-	(24,789)	-
Interest on Long-Term Debt	117,749	-	-	-	(117,749)	-	(117,749)	-
Total Governmental Activities	1,479,439	333,001	4,709	268,750	(872,979)	-	(872,979)	-
Business-type Activities:								
Utility	1,810,471	1,400,040	-	-	-	(410,431)	(410,431)	-
Total Business-type Activities	1,810,471	1,400,040	-	-	-	(410,431)	(410,431)	-
Total Primary Government	$ 3,289,910	$ 1,733,041	$ 4,709	$ 268,750	(872,979)	(410,431)	(1,283,410)	-
General Revenues:								
Property Taxes					684,469	-	684,469	-
Sales Taxes					539,534	-	539,534	-
Franchise Taxes					75,407	-	75,407	-
Hotel Occupancy Taxes					5,380	-	5,380	-
Investment Earnings					7,570	2,179	9,749	-
Miscellaneous					64,781	-	64,781	-
Transfers					(74,387)	74,387	-	-
Total General Revenues and Transfers					1,302,754	76,566	1,379,320	-
Change in Net Position					429,775	(333,865)	95,910	-
Net Position - Beginning, Restated					(853,544)	4,502,115	3,648,571	208
Net Position - Ending					$ (423,769)	$ 4,168,250	$ 3,744,481	$ 208

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
BALANCE SHEETS
GOVERNMENTAL FUNDS
SEPTEMBER 30,2020

	General	Economic Development Corporation	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and Cash Equivalents	$ 880,660	$ 268,314	$ 307,144	$ 20,900	$ 1,477,018
Investments	-	-	-	2,807	2,807
Receivables (Net of Allowance for Uncollectibles)	121,048	-	12,347	-	133,395
Due From Other Funds	-	25,009	-	-	25,009
Total Assets	$ 1,001,708	$ 293,323	$ 319,491	$ 23,707	$ 1,638,229
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts Payable and Other Current Liabilities	$ 72,921	$ -	$ -	$ 13,000	$ 85,921
Due To Other Funds	25,009	-	-	-	25,009
Total Liabilities	97,930	-	-	13,000	110,930
DEFERRED INFLOWS OF RESOURCES					
Unavailable Revenue - Property Taxes	18,617	-	12,002	-	30,619
Total Deferred Inflows of Resources	18,617	-	12,002	-	30,619
Fund Balances					
Restricted for:					
Public Safety	145,788	-	-	-	145,788
Motel Tax	46,216	-	-	-	46,216
Debt Service	-	-	307,489	-	307,489
Main Street Improvements	71,242	-	-	-	71,242
Unassigned	621,915	293,323	-	10,707	925,945
Total Fund Balances	885,161	293,323	307,489	10,707	1,496,680
Total Liabilities and Fund Balances	$ 1,001,708	$ 293,323	$ 319,491	$ 23,707	

Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		1,866,078
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.		(22,130)
Deferred outflows of resources related to pension assets not reported in the governmental funds		18,622
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		30,619
Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Due within one year	(445,157)	
Due in more than one year	(3,475,845)	
Deferred charges	127,739	(3,793,263)
Deferred inflows of resources related to pensions not reported in the governmental funds		(20,375)
Net position of governmental activities		$ (423,769)

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General	Economic Development Corporation	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES					
Property Tax	$ 417,748	$ -	$ 269,640	$ -	$ 687,388
Sales Tax	404,651	134,884	-	-	539,535
Franchise Tax	75,407	-	-	-	75,407
Hotel Occupancy Tax	5,380	-	-	-	5,380
Licenses, Permits and Fees	45,267	-	-	-	45,267
Fines and Forfeitures	244,414	-	-	-	244,414
Revenues from Use of Money and Property	1,266	2,536	3,743	25	7,570
Intergovernmental	268,377	-	-	-	268,377
Contributions	4,044	-	-	-	4,044
Other Revenue	89,361	5,890	-	3,450	98,701
Total Revenues	1,555,915	143,310	273,383	3,475	1,976,083
EXPENDITURES					
Current					
Administration	337,351	-	-	-	337,351
Public Safety:					
Police Department	686,006	-	-	11,293	697,299
Municipal	136,169	-	-	-	136,169
Fire	2,400	-	-	-	2,400
Streets	378,938	-	-	-	378,938
Economic Development	-	191,494	-	-	191,494
Debt Service					
Principal Retirement	-	25,001	285,000	-	310,001
Interest and Fiscal Charges	-	6,600	114,933	-	121,533
Total Expenditures	1,540,864	223,095	399,933	11,293	2,175,185
Excess of Revenues Over Expenditures	15,051	(79,785)	(126,550)	(7,818)	(199,102)
OTHER FINANCING SOURCES (USES)					
Transfers In	(64,328)	-	(6,459)	-	(70,787)
Transfers Out	-	(3,600)	-	-	(3,600)
Total Other Financing Sources and Uses	(64,328)	(3,600)	(6,459)	-	(74,387)
Net Change in Fund Balance	(49,277)	(83,385)	(133,009)	(7,818)	(273,489)
Fund Balances - Beginning	934,438	376,708	440,498	18,525	1,770,169
Fund Balances - Ending	$ 885,161	$ 293,323	$ 307,489	$ 10,707	$ 1,496,680

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED SEPTEMBER 30, 2020

Amounts reported for governmental activities in the statement of activities (page 11) are different because:

Net change in fund balance-total governmental funds (page 13)		$ (273,489)
Governmental funds report capital outlays as expenditures, however, in the government-wide statement of activities and changes in net assets the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount of capital outlay recorded as capital assets in the current year.		480,784
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets but does not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.		(118,632)
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins, and donations) is to increase net assets.		(15,799)
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. Neither transaction, however, has any effect on net assets. Also governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Notes payable retired	$ 57,203	
Bond principal retired	310,001	
Amortization of deferred charges	(4,182)	
Amortization of bond premiun	17,083	380,105
Some property tax and intergovernmental revenues will not be collected for several months after the City's fiscal year end. These are not considered "available" revenues in the governmental funds until received. Change in the amount deferred on fund statements.		(2,919)
Expenditures are recognized in the governmental funds when paid are due for items not normally paid with available financial resources. However the Statement of Activities is presented on an accrual basis and expenses reported when incurred. This amount is the net effect of these differences:		
Compensated absences expenses	$ (4,038)	
Pension costs, net	(18,003)	
OPEB costs, net	(2,019)	(24,060)
Accrued interest expense on long-term debt is reported in the government-wide statement of activities and changes in net assets but does not required the use of current financial resources therefore accrued interest expense is not reported as expenditures in governmental funds. Change in accrued interest.		3,785
Change in net position of governmental activities (page 11)		$ 429,775

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2020

		Business-type Activities-Enterprise (Utility) Fund
ASSETS		
Current Assets		
Cash and Cash Equivalents	$	361,608
Investments		137
Receivables (net of allowance for uncollectibles)		149,003
Inventory		9,107
Restricted Current Assets:		
Cash and Cash Equivalents		196,296
Total Current Assets		716,151
Noncurrent Assets		
Capital Assets (net, where applicable of accumulated depreciation)		5,650,487
Deferred Charges		20,796
Total Noncurrent Assets		5,671,283
Total Assets		6,387,434
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Outflows of Resources related to Pensions		68
Deferred Outflows of Resources related to OPEB		5,410
Total Deferred Outflows of Resources		5,478
LIABILITIES		
Current Liabilities		
Accounts Payable		96,320
Customer Deposits Payable		116,401
Compensated Absences		17,779
Lease Payable		6,333
Certificates of Obligation		165,000
Total Current Liabilities		401,833
Noncurrent Liabilities		
Certificates of Obligation		1,756,000
Net Pension Liability		43,490
Net OPEB Liability		16,795
Total Noncurrent Liabilities		1,816,285
Total Liabilities		2,218,118
DEFERRED INFLOWS OF RESOURCES		
Deferred Inflows of Resources related to Pensions		6,544
Total Deferred Inflows of Resources		6,544
NET POSITION		
Investment in Capital Assets, Net of Related Debt		3,723,153
Unrestricted		445,097
Total Net Position	$	4,168,250

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Business-type Activities-Enterprise (Utility) Fund
OPERATING REVENUE		
Water Sales	$	546,617
Sewer Sales		479,218
Sanitation Charges		242,056
Other Revenue		132,149
Total Operating Revenues		1,400,040
OPERATING EXPENSES		
Personnel Services		400,453
Professional Services		10,989
Water		182,881
Sewer		249,860
Sanitation		194,465
Utilities and Communication		79,243
Insurance and Bonding		15,373
Employee Development		5,516
Depreciation and Amortization		601,573
Total Operating Expenses		1,740,353
OPERATING INCOME (LOSS)		(340,313)
NON-OPERATING REVENUES (EXPENSES)		
Interest on Investments		2,179
Interest and Fiscal Charges		(68,228)
Bond Issuance Costs		(1,890)
Total Non-Operating Revenues (Expenses)		(67,939)
INCOME (LOSS) BEFORE CONTRIBUTIONS & TRANSFERS		(408,252)
Transfers Out		74,387
		74,387
CHANGE IN NET POSITION		(333,865)
NET POSITION-BEGINNING, RESTATED		4,502,115
NET POSITION-ENDING	$	4,168,250

The accompanying notes are an integral part of these financial statements.

CITY OF ITALY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

		Business Type Activities-Enterprise (Utility) Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers and Users	$	1,412,473
Payments to Suppliers		(727,727)
Payments to Employees		(417,895)
Net Cash Provided (Used) by Operating Activities		266,851
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfer from other funds		118,951
Advances to other funds		(44,564)
Net Cash Flows Provided (Used) by Noncapital Financing Activities		74,387
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets		(138,855)
Payments on Capital Debt		(6,154)
Principal Paid on Long Term Debt		(159,000)
Interest Paid on Long Term Debt		(68,228)
Net Cash Provided (Used) by Capital and Related Financing Activities		(372,237)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest on Investments		2,179
Net Cash Provided (Used) by Investing Activities		2,179
Net Increase (Decrease) in Cash and Cash Equivalents		(28,820)
Cash and Cash Equivalents - Beginning of Year		586,861
Cash and Cash Equivalents - End of Year	$	558,041
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities		
Operating Income (Loss)	$	(340,313)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities		
Depreciation and Amortization Expense		601,573
Change in Assets and Liabilities		
Receivables, net		7,168
Inventories		95
Pension Related Deferred Outflows		14,763
Accounts Payable and Accrued Expenses		19,237
Customer Deposits		5,265
Net Pension Liability		(48,268)
Net OPEB Liability		4,320
Pension Related Deferred Inflows		3,011
Net Cash Provided (Used) by Operating Activities	$	266,851

The accompanying notes are an integral part of these financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Reporting entity

The City of Italy, Texas (the "City") was incorporated February 12, 1897. The accompanying financial statements present the City and its component unit, an entity for which the government is considering to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the City.

Blended component unit. The Italy Economic Development Corporation (the "Corporation") is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City. The seven members of the Corporation's board are appointed by the City and comprised of at least three persons who are not employees, officers, or members of the governing body. The Corporation is presented as a governmental fund and has a September 30 year-end.

Discretely Presented Component Unit. The Italy Higher Education Facilities Corporation (Facilities Corporation) is responsible for benefiting and accomplishing public purposes of, and to act on behalf of, the City pursuant to Section 53.35(b) of the Higher Education Authority Act (Chapter 53, Texas Education Code). The specific purposes for which the Corporation is organized and may issue bonds on behalf of the City are any purposes permitted by the Act including, but not limited to, the financing or refinancing of "educational facilities." The board of directors is appointed by the City Council of the City of Italy, Texas and may be removed by the City Council at will. The Facilities Corporation is presented as a governmental fund type and has a September 30 year-end.

Separate financial statements of the Corporation and Facilities Corporation are not prepared.

2. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the primary government. For the most part, the effect of the interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2. Government-wide and fund financial statements (continued)

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

3. Measurement focus, basis of accounting, and financial statement presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, inventories of materials and supplies are considered expenditures when used and debt service expenditures, as well as expenditures related to accumulated unpaid sick pay, are recorded only when payment is due.

Property taxes, when levied for, intergovernmental revenues, when eligibility requirements are met, and interest associated with the current fiscal year are all considered to be susceptible to accrual (measurable) and so have been recognized as revenues of the current period, if available. Available has been defined as received with sixty days of the fiscal year end. All other revenue items are considered to be measurable and available only when cash is received by the government.

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 *economic development corporation* is responsible for collecting and disbursing the one-half percent sales tax to be used for economic development within the City

The *debt service fund* accounts for the resources accumulated and payments made for principal and interest and related costs on long-term general obligation debt of governmental funds.

The City reports the following major proprietary fund:

The *utility fund* accounts for the activities of the garbage collection, the sewage treatment plant, sewage pumping stations and collection systems, and the water distribution system.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3. Measurement focus, basis of accounting, and financial statement presentation (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the city's utility function and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenues include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the utility enterprise fund are charges to customers for services. Operating expenses for the utility fund include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

4. Assets, liabilities, and net position or equity

Deposits and investments -

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

The Corporation is authorized by its governing board to invest in obligations of the U.S. Treasury.

Investments for the City, as well as for the Corporation, are reported at fair value.

Receivables and payables -

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities, and net position or equity (continued)

Receivables and payables (continued) -

All trade and property tax receivables are shown net of an allowance for uncollectibles. Trade accounts receivables in excess of sixty days comprise the trade accounts receivable allowance for uncollectibles. The property tax receivable allowance is the lesser of .2 percent of the tax levy for each fiscal year or the outstanding property taxes for each fiscal year at year end.

The City's property tax is levied each October 1 on the assessed value listed as of the prior January 1 for all real and personal property. Appraised values are established by the Ellis Central Appraisal District as market value and assessed at 100% of appraised value. Property taxes attach as an enforceable lien on property as of January 1. Ellis County bills and collects property taxes for the City, which are due October 1. Full payment can be made prior to the next January 31 to avoid penalty and interest charges. Over time substantially all property taxes are collected.

Inventory -

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted assets

Certain proceeds of the City's enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond debt service" account is used to segregate resources accumulated for debt service payment over the next twelve months.

Capital assets -

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than $500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased of constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities, and net position or equity (continued)

Capital assets (continued) -

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed, net of interest earned on the invested proceeds over the same period. The total interest expense incurred by the utility fund during the current fiscal year was $67,488. Of this amount, $0 was included as part of the cost of capital assets under construction.

Property, plant, equipment and infrastructure assets are depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	15-30
Improvements	10-30
Machinery and equipment	5-20
Infrastructure	20-40
Water rights	40

Deferred inflows/outflows of resources –

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has the following items that qualify for reporting in this category: 1) pension contributions after measurement date – these contributions are deferred and recognized in the following year, and 2) difference in projected and actual earnings on pension assets – this difference is deferred and amortized over a closed five-year period.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has the following items which qualify for reporting in this category: 1) unavailable revenue, is reported only in the governmental funds balance sheet – this amount is deferred and recognized as an inflow of resources on the period that the amount becomes available, and 2) the difference in expected and actual pension experience is deferred and recognized over the estimated average remaining lives of all members determines as of the measurement date.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities, and net position or equity (continued)

Pensions –

For purposes of measuring the net pension liability, pension related deferred outflows and inflows of resources, and pension expense, City specific information about its Fiduciary Net Position in the Texas Municipal Retirement System (TMRS) and additions to/reductions from the City'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 compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Information regarding the City's Total Pension Liability 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. 68, Accounting and Financial Reporting for Pensions.

Compensated absences –

It is the government's policy to permit employees to accumulate earned but unused vacation pay benefits. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Vacation leave shall be taken during the year following its accumulation.

Long-term obligations -

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

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

Net Position –

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources on the government-wide financial statements. Net positions are classified in the following categories: Net investment in capital assets, restricted net position and unrestricted net position. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City of through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

4. Assets, liabilities, and net position or equity (continued)

Fund Equity (continued) -

In the general fund, the City strives to maintain an unassigned fund balance to be used for unanticipated emergencies.

When both restricted and unrestricted resources are available for use, it is the government's policy to use externally restricted resources first, then unrestricted resources – committed, assigned, and unassigned, in order as needed.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

1. Budgetary information

Annual budgets are adopted on a budgetary basis for the general fund. All annual appropriations lapse at fiscal year end. The legal level of budgetary control is the fund level.

NOTE C – DETAILED NOTES ON ALL FUNDS

1. Deposits and investments

Deposits – State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of Texas and its agencies that have a market value of not less than the principal amount of the deposits. The City's deposits were fully insured or collateralized as required by State statutes at September 30, 2020. At year end the bank balance of the City's deposits was $1,831,827. Of the bank balance, $1,072,514 was covered by federal depository insurance and the remaining balance, $759,314, was covered by collateral pledged in the City's name that had a fair value of $1,516,782.

At year end the bank balance of the Corporation's deposits was $257,272. The full balance was covered by federal depository insurance.

At year end the bank balance of the Facilities Corporation's deposits was $208. The full balance was covered by federal depository insurance.

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

1. Deposits and investments (continued)

Investments – State statutes authorize the City to invest in certificates of deposit, obligations of the U.S. Treasury and the state treasurer's investment pool.

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. Presented below is the minimum rating required by the Public Funds Investment Act, and the actual rating as of year-end.

Investment Type	Fair Value	Minmum Legal Rating	Rating as of Year End
TexSTAR	$ 2,944	N/A	AAAm

TexSTAR is considered a cash equivalent on the Government-Wide Statement of Net Position and on the Balance Sheets of the Fund Financial Statements.

The local government investment pool TexSTAR, is managed conservatively to provide safe, efficient and liquid investments to Texas governmental entities. The pool seeks to maintain a $1 value per share as required by the Texas Public Funds Investment Act. Although the pool is not registered with the SEC as an investment company, it operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. GASB 31 allows 2a7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than market value to report net position to compute share price. The fair value of the City's position in the pool is the same as the value of the pool's shares.

TexSTAR is co-administered by First Southwest Asset Management, Inc. and JPMorgan Chase, who provide investment services, participant services and marketing. Custodial, transfer agency, fund accounting and depository services are provided by JPMorgan Chase Bank and/or its subsidiary J.P. Morgan Investor Services Co.

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

2. Receivables

Receivables as of year end for the government's individual major funds and nonmajor funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Debt Service	Utility	Total
Receivables:				
Taxes	$ 131,760	$ 19,252	$ -	$ 151,012
Accounts	-	-	164,552	164,552
Gross receivables	131,760	19,252	164,552	315,564
Less: allowance for uncollectables	(10,712)	(6,905)	(15,549)	(33,166)
Net total receivables	$ 121,048	$ 12,347	$ 149,003	$ 282,398

3. Capital assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 316,452	$ -	$ -	$ 316,452
Construction in progress	40,707	443,865	(484,572)	-
Total capital assets not being depreciated	357,159	443,865	(484,572)	316,452
Capital assets being depreciated:				
Buildings	$ 482,722	$ 179,449	$ -	$ 662,171
Improvements	243,371	-	-	243,371
Machinery and equipment	552,196	43,945	(27,948)	568,193
Infrastructure	779,770	305,123	-	1,084,893
Totals capital assets being depreciated	2,058,059	528,517	(27,948)	2,558,628
Less accumulated depreciation for:				
Buildings	(238,859)	(17,265)	-	(256,124)
Improvements	(104,265)	(11,996)	-	(116,261)
Machinery and equipment	(335,098)	(59,543)	5,125	(389,516)
Infrastructure	(217,273)	(29,828)	-	(247,101)
Total accumulated depreciation	(895,495)	(118,632)	5,125	(1,009,002)
Total capital assets, being depreciated, net	1,162,564	409,885	(22,823)	1,549,626
Governmental activities capital assets, net	$ 1,519,723	$ 853,750	$ (507,395)	$ 1,866,078

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

3. Capital assets (continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated:				
Land	$ 193,078	$ -	$ -	$ 193,078
Total capital assets not being depreciated	193,078	-	-	193,078
Capital assets being depreciated:				
Buildings	3,642	-	-	3,642
Improvements	13,812,897	8,184	-	13,821,081
Machinery and equipment	369,633	128,488	(64,272)	433,849
Water rights	42,835	-	-	42,835
Totals capital assets being depreciated	14,229,007	136,672	(64,272)	14,301,407
Less accumulated depreciation for:				
Buildings	(2,481)	(227)	-	(2,708)
Improvements	(8,010,837)	(562,231)	-	(8,573,068)
Machinery and equipment	(262,330)	(38,006)	60,890	(239,446)
Water rights	(27,668)	(1,108)	-	(28,776)
Total accumulated depreciation	(8,303,316)	(601,572)	60,890	(8,843,998)
Total capital assets being depreciated, net	5,925,691	(464,900)	(3,382)	5,457,409
Business-type capital assets, net	$ 6,118,769	$ (464,900)	$ (3,382)	$ 5,650,487

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

Governmental activities:	
Administration	$ 7,396
Public safety	39,524
Streets	47,171
Economic Development	24,541
Total depreciation expense - governmental activities	$ 118,632
Business-type activities:	
Utility	$ 601,572
Total depreciation expense - business-type activities	$ 601,572

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

4. Interfund receivables, payables and transfers

Due to/from other funds:

Receivable Fund	Payable Fund	Amount
Economic development Corporation	General	$ 25,009
		$ 25,009

These balances resulted from the lag time between the dates that transactions are recorded in the accounting system and payments between funds are made.

Interfund transfers:

	Transfer Out:		
Transfer In:	Economic Development Corporation	Debt Service	Total
General	$ 3,600	$ -	$ 3,600
Utillity	64,328	6,459	70,787
	$ 67,928	$ 6,459	$ 74,387

Transfers are primarily used to move funds from:

- The Corporation to the General Fund for reimbursement of administrative services.
- The Debt Service Fund to the Utility Fund for payment of bonds.
- The Utility Fund to the General Fund for operations.

5. Leases

The City is currently purchasing equipment under a lease purchase agreement. The interest on the leases range from 4.00% 5.13%.

The asset acquired through the capital lease is as follows:

Asset	Governmental Activities	Business-Type Activities
Machinery and equipment	$ 113,465	$ 40,295
Less: accumulated depreciation	(68,173)	(27,110)
Total	$ 45,292	$ 13,185

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

5. Leases (continued)

Annual debt service requirements to maturity are as follows:

Year Ending September 30	Governmental Activities Capital Lease Obligations		Business-Type Activities Capital Lease Obligations	
	Principal	Interest	Principal	Interest
2021	$ 59,105	$ 6,274	$ 6,333	$ 236
2022	19,227	3,719	-	-
2023	19,919	3,027	-	-
2024	20,636	2,310	-	-
2025	21,379	1,567	-	-
Thereafter	20,993	797	-	-
	$ 161,259	$ 17,694	$ 6,333	$ 236

6. Long-term debt

General Obligation Bonds and Certificates of Obligation –

General obligation bonds and certificates of obligation provide funds for the acquisition and construction of major capital equipment and facilities. General obligation bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City.

The 2012 Sales Tax Revenue Bond constitute direct tax obligations of the Economic Development Corporation payable from pledged revenues, which included the proceeds of a one-half of one percent sales and use tax levied for the benefit of the Corporation by the City.

Certain certificates of obligation are to be repaid by revenues of the Enterprise Fund.

Certificates of Obligation currently outstanding and reported as liabilities of the City's business-type activities are:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011	$ 2,650,000	8/18/2031	4.99%	$ 1,730,000
				$ 1,730,000

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

6. Long-term debt (continued)

Revenue bonds currently outstanding and reported as liabilities of the City's business-type activities are:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2019	$ 200,000	9/20/2026	2.29%	$ 191,000

General obligation bonds currently outstanding and reported as liabilities of the City's governmental activities are:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2011	$ 750,000	8/1/2022	2.39%	$ 149,944
2017	$ 3,715,000	8/1/2032	2.00%-4.00%	3,080,000
				$ 3,229,944

Revenue bonds currently outstanding and reported as liabilities of the City's governmental activities are:

Series	Issue Amount	Maturity Date	Interest Rate	Year-end Balances
2012	$ 360,000	2/15/2027	3.26%	$ 189,994

Annual debt service requirements to maturity are as follows –

Year Ending September 30	Governmental Activities		Business-Type Activities			
	Bond Payable		Certificates of Obligation		Bond Payable	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	$ 295,000	$ 108,485	$ 135,000	$ 58,924	$ 30,000	$ 4,374
2022	295,000	102,293	135,000	54,326	31,000	3,686
2023	225,000	96,100	140,000	49,728	31,000	2,978
2024	230,000	89,350	145,000	44,959	32,000	2,268
2025	245,000	82,450	150,000	40,021	33,000	1,534
2026-2030	1,330,000	282,700	840,000	119,551	34,000	778
2031-2032	609,944	36,800	185,000	6,301	-	-
	$3,229,944	$ 798,178	$ 1,730,000	$ 373,810	$ 191,000	$ 15,618

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

6. Long-term debt (continued)

Facilities Corporation –

In September 2000, the Italy Higher Education Facilities Corporation issued an Education Revenue Bond, Series 2000 to provide financial assistance to an institution of higher education for financing or refinancing the cost of certain land, buildings, facilities and improvements. The bond is secured by the property financed and loan payments to be received from a note agreement between the Italy Higher Education Facilities Corporation and the institution of higher education. The bond is payable solely from payments to be received from the note agreement. The bond does not constitute a debt or pledge of the faith and credit of the Italy Higher Education Facilities Corporation, the City of Italy, Texas, the State of Texas, nor any political subdivision thereof, and accordingly has not been reported in the accompanying financial statements. At September 30, 2020, the 2000 Education Revenue Bond outstanding aggregated $2,309,774.

In July 2008, the Italy Higher Education Facilities Corporation issued an Education Revenue Bond, Series 2008 to provide financial assistance to an institution of higher education for financing or refinancing the cost of certain land, buildings, facilities and improvements. The bond is secured by the property financed and loan payments to be received from a note agreement between the Italy Higher Education Facilities Corporation and the institution of higher education. The bond is payable solely from payments to be received from the note agreement. The bond does not constitute a debt or pledge of the faith and credit of the Italy Higher Education Facilities Corporation, the City of Italy, Texas, the State of Texas, nor any political subdivision thereof, and accordingly has not been reported in the accompanying financial statements. At September 30, 2020, the 2008 Education Revenue Bond outstanding aggregated $2,175,529.

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

6. Long-term debt (continued)

Net Pension Liability –

The net pension liability represents the liability for employees for projected pension benefit payments to be provided to current active and inactive employees that is attributed to those employee's past periods of service less the amount of the pension plan's fiduciary net position.

Other Post-Employment Benefit Liability (OPEB) –

The total OPEB liability represents the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service in conformity with the requirements of GASB Statement No. 75.

Changes in long-term liabilities –

Long-term liability activity for the year ended September 30, 2020, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balances	Due Within One Year
Governmental activities:					
General obligation bonds	$ 3,514,944	$ -	$ (285,000)	$ 3,229,944	$ 320,000
Revenue bonds	214,995	-	(25,001)	189,994	25,000
Less deferred amounts:					
For issuance premium	222,075	-	(17,083)	204,992	17,083
Capital lease/Notes payable	218,462	-	(57,203)	161,259	59,105
Net pension liability	100,255	-	(20,732)	79,523	-
Net OPEB liability	24,110	7,211	-	31,321	-
Compensated absences	19,931	13,867	(9,829)	23,969	23,969
Governmental activity Long-term liabilities	$ 4,314,772	$ 21,078	$ (414,848)	$ 3,921,002	$ 445,157
Business-type activities:					
Certificates of obligation	$ 1,860,000	$ -	$ (130,000)	$ 1,730,000	$ 135,000
Revenue bonds	220,000	-	(29,000)	191,000	30,000
Capital lease obligations	12,487	-	(6,154)	6,333	6,333
Net pension liability	52,758	-	(9,268)	43,490	-
Net OPEB liability	12,475	4,320	-	16,795	-
Compensated absences	14,205	19,966	(16,392)	17,779	17,779
Business-type activity Long-term liabilities	$ 2,171,925	$ 24,286	$ (190,814)	$ 2,005,397	$ 189,112

Governmental general obligation bonds will be liquidated by the debt service fund. Governmental capital lease obligations, note payable and compensated absences will be liquidated by the general fund.

NOTE C – DETAILED NOTES ON ALL FUNDS (continued)

6. Long-term debt (continued)

Certificates of obligations issued for business-type activities are repaid from those activities as well as a portion of ad valorem tax from the general fund. Capital lease obligations and compensated absences payable for business-type activities are repaid from those activities.

7. Restricted assets

The balances of restricted asset accounts in the proprietary fund are as follows:

Revenue bond debt service account	$ 196,296

8. Prior Period Adjustment

Corrections have been made to the business-type activities beginning net position in the government-wide financial statements and proprietary fund beginning net position in the fund financial statements due to the understatement of liabilities and overstatement of net position related to debt issued in the prior year. The changes to the beginning net position as of October 1, 2019 are summarized as follows:

	Business-type Activities
As previously reported, October 1, 2019	$ 4,522,115
Del the measurment date	(20,000)
Restated, October 1, 2019	$ 4,502,115
Effect of restatement on operations for the year ended September 30, 2019	$ (20,000)

NOTE D – OTHER INFORMATION

1. 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 maintains commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

2. Commitments

The City has entered into a contract with the Trinity River Authority (TRA) of Texas whereby the City acquired the right to buy raw water from Richland-Chambers and Cedar Creek Reservoirs for a period of forty years. The City will pay an administration fee of $60 per month increasing by $1.50 per month per year over the term of the agreement. TRA is a governmental agency, which is controlled by directors appointed by the governor. Complete separate financial statements for TRA may be obtained at Trinity River Authority of Texas, 5300 South Collins, P.O. Box 60, Arlington, Texas 76004.

3. Contingencies

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor, cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

4. Texas Municipal Retirement System

Plan Description –

The City participates as one of 888 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 dependence 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 statues governing TMRS.

NOTE D – OTHER INFORMATION (continued)

4. Texas Municipal Retirement System (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 benefit in one of seven actuarially equivalent 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, 36 monthly payments, which cannot exceed 75% of the member's deposits and interest.

At the date the plan began, the City granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to establishment of the plan. Monetary credits, also known as the matching ratio, are 200% of the employee's accumulated contributions and are only payable in the form of an annuity.

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

Employee deposit rate	5.0%
Matching ratio (city to employee)	1 to 1
Years required for vesting	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20
Updated service credit	0%
Annuity increase (to retirees)	0% of CPI

Employees covered by benefit terms –

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Retirees or beneficiaries currently receiving benefits	11
Inactive employees entitles to but not yet receiving benefits	26
Active employees	18
	55

Contributions –

Under the state law governing TMRS, the contribution rate for each city if determined annually by the actuary, used the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

NOTE D – OTHER INFORMATION (continued)

4. Texas Municipal Retirement System (continued)

The City contributes to the TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes in effect.

Net Pension Liability:

The City's Net Pension Liability (NPL) was measured as of December 31, 2018 and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions –

The Total Pension Liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.50% to 11.50% per year, including inflation
Investment Rate of Return	6.75%, net pension plan investment expense, including inflation

Salary increases were based on a service-related table. Morality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, 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 Disabled Retiree Mortality Table is used, with slight adjustments

Actuarial assumptions used in the December 31, 2019, valuation was based on the results of actuarial experience studies. This experience study was for the period December 31, 2014 through December 31, 2018, first used in the December 31, 2019 valuation. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2011 through 2013, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments was determine using a building-block method in which best estimated 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.

NOTE D – OTHER INFORMATION (continued)

4. Texas Municipal Retirement System (continued)

Discount Rate –

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

Changes in the Net Pension Liability –

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/18	$ 597,659	$ 444,646	$ 153,013
Changes for the year:			
Service cost	51,754	-	51,754
Interest	40,579	-	40,579
Change in benefit terms	-	-	-
Difference between expected and actual experience	315	-	315
Changes in assumptions	6,522	-	6,522
Contriubtions - employer	-	23,350	(23,350)
Contributions - employee	-	37,777	(37,777)
Net investment income	-	68,444	(68,444)
Benefit payments, including rentals of employee contributions	(44,733)	(44,733)	-
Administrative expense	-	(388)	388
Other changes	-	(14)	14
Net Changes	54,437	84,437	(30,000)
Balance at 12/31/19	$ 652,096	$ 529,083	$ 123,013

NOTE D – OTHER INFORMATION (continued)

4. Texas Municipal Retirement System (continued)

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	Current Discount Rate	1% Increase in Discount Rate
City's net pension liability	$ 207,756	$ 123,013	$ 53,942

Pension Plan Fiduciary Net Position –

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com. Pension Expense and Deferred Outflows of Resourced and Deferred Inflows of Resources Related to Pensions:

For the year ended September 30, 2020, the City recognized pension expense of $27,220. This amount is included as part of Personal Services expenses within the functional program activities.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 11,906	$ 5,783
Difference between projected and actual investment earnings	31	-
Differences between actuarial assumptions and actual experience	202	761
Changes in actuarial assumptions used	2,765	-
Total	$ 14,904	$ 6,544

NOTE D – OTHER INFORMATION (continued)

4. Texas Municipal Retirement System (continued)

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of $14,904 will be recognized as a reduction of the net pension liability for the measurement year ending December 31, 2020 (i.e. recognized in the city's financial statements September 30, 2021). Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Measurement Year ended Dec 31		
2020	$	(7,772)
2021		(3,471)
2022		1,204
2023		(7,687)
2024		-
Thereafter		-
	$	(17,726)

5. Other Postemployment Benefit (OPEB) Obligations

Plan Description –

Texas Municipal Retirement System ("TMRS") administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund ("SDBF"). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active member, including or not including retirees. 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. For purposes of reporting under GASB 75, the retiree portion of the SDBF is not considered a cost sharing plan and is instead considered a single-employer, defined benefit OPEB plan. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

Benefits Provided –

The death benefit for activity employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 13-month period preceding the month of death). The death benefit for retirees is considered an OPEB and is a fixed amount of $7,500.

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.

NOTE D – OTHER INFORMATION (continued)

5. Other Postemployment Benefit (OPEB) Obligations (continued)

Employees covered by benefit terms –

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefi	9
Inactive employees entitled to but not yet receiving benefits	1
Active employees	18
	28

Total OPEB liability –

The City's total OPEB liability of $48,116 was measured as of December 31, 2019, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs –

The total OPEB liability in the December 31, 2019 actuarial valuation was determine using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified.

Inflation	2.50%
Salary increases	3.50% to 11.50%, including inflation
Discount rate*	2.75%
Retirees' share of benefit-related costs	$0
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statements No. 68.
Mortality rates – service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiples by 109% and female rates multiplies by 103% and projected on a fully generational basis with scale BB/
Mortality rates – disables retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

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

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

NOTE D – OTHER INFORMATION (continued)

5. Other Postemployment Benefit (OPEB) Obligations (continued)

Changes in the Total OPEB Liability –

	Total OPEB Liability
Balance at 12/31/18	$ 36,585
Changes for the year:	
Service cost	3,475
Interest	1,418
Difference in expected and actual	(1,611)
Changes in assumptions	8,476
Benefit payments**	(227)
Net Changes	11,531
Balance at 12/31/19	$ 48,116

**Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

Sensitivity of the total OPEB liability to changes in the discount rate –

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.75%) or 1-percentage-point higher (3.75%) than the current rate:

	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
Total OPEB liability	$ 59,336	$ 48,116	$ 39,571

NOTE D – OTHER INFORMATION (continued)

5. Other Postemployment Benefit (OPEB) Obligations (continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB. For the year ended September 30, 2020, the City recognized OPEB expense of $6,196. At September 30, 2020, the City reported deferred outflows of resources and related OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 89	$ -
Difference between projected and actual investment earnings	-	20,375
Differences between actuarial assumptions and actual experience	3,499	-
Changes in actuarial assumptions used	5,608	-
Total	$ 9,196	$ 20,375

Deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date of $186 will be recognized in the city's financial statements September 30, 2020).

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

Measurement Year Ended Dec 31	
2020	$ 1,303
2021	1,303
2022	1,303
2023	1,003
2024	424
Thereafter	-
	$ 5,336

CITY OF ITALY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN CALENDAR YEARS (will ultimately be displayed)
(Unaudited)

	Measurement Year					
	2014	2015	2016	2017	2018	2019
Total pension liability:						
Service cost	$ 41,042	$ 36,775	$ 38,857	$ 35,589	$ 46,466	$ 51,754
Interest	33,139	35,207	35,809	37,251	38,672	40,579
Changes of benefit terms	-	-	-	-	-	-
Difference between expected and actual experience	(6,610)	(11,843)	(6,392)	(10,529)	(11,746)	315
Change in assumptions	-	16,404	-	-	-	-
Benefit payments, including refunds of employee contributions	(19,636)	(52,145)	(47,937)	(42,596)	(50,824)	6,522 (44,733)
Net change in total pension liability	47,935	24,398	20,337	19,715	22,568	54,437
Total pension liability - beginning	462,706	510,641	535,039	555,376	575,091	597,659
Total pension liability - ending (a)	510,641	535,039	555,376	575,091	597,659	652,096
Plan fiduciary net position:						
Contributions - employer	15,511	14,122	13,989	15,164	17,959	23,350
Contributions - employee	36,090	29,947	31,086	28,290	34,676	37,777
Net investment income	19,185	570	25,547	55,496	(13,620)	68,444
Benefit payments, including refunds of employee contributions	(19,636)	(52,145)	(47,937)	(42,596)	(50,824)	(44,733)
Administrative expense	(200)	(347)	(289)	(288)	(264)	(388)
Other	(16)	(18)	(16)	(15)	(16)	(14)
Net change in plan fiduciary net position	50,934	(7,871)	22,380	56,052	(12,088)	84,437
Plan fiduciary net position - beginning	335,238	386,172	378,301	400,681	456,733	444,646
Plan fiduciary net position - ending (b)	386,172	378,301	400,681	456,733	444,645	529,083
Net pension liability - ending (a) - (b)	$ 124,469	$ 156,738	$ 154,695	$ 118,358	$ 153,014	$ 123,013
Plan fiduciary net position as a percentage of total pension liability	75.62%	70.71%	72.15%	79.42%	74.40%	81.14%
Covered employee payroll	$ 721,790	$ 598,938	$ 621,717	$ 565,801	$ 693,523	$ 755,531
Net pension liability as a percentage of covered employee payroll	17.24%	26.17%	24.88%	20.92%	22.06%	16.28%

As of December 31

CITY OF ITALY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CONTRIBUTIONS
LAST TEN FISCAL YEARS (will ultimately be displayed)
(Unaudited)

Fiscal Year	Actuarially determined contribution	to the actuarially determined contribution	(3) = (2) - (1) Contribution excess (deficiency)	(4) Covered Payroll	Contributions as a percentage of covered employee payroll
2012	$ 17,085	$ 16,389	$ (696)	$ 548,183	3.0%
2013	15,010	14,849	(161)	626,040	2.4%
2014	15,933	15,918	(15)	656,604	2.4%
2015	15,955	15,123	(832)	693,732	2.2%
2016	17,229	15,511	(1,718)	717,907	2.2%
2017	18,172	15,340	(2,832)	681,178	2.3%
2018	21,146	18,557	(2,589)	616,510	3.0%
2019	24,885	23,757	(1,128)	743,382	3.2%
2020	26,262	23,350	(2,912)	861,389	2.7%

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	24 years
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.50%
Salary Increases	3.50% to 11.50% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	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 bases with scale BB.

CITY OF ITALY, TEXAS
REQUIRED SUPPLEMENTARY INFORMATION
TEXAS MUNICIPAL RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEAR (will ultimately be displayed)
(Unaudited)

	Measurement Year 2017	Measurement Year 2018	Measurement Year 2019
Total OPEB liabiilty			
Service cost	$ 2,490	$ 3,398	$ 3,475
Interest (on the Total OPEB Liability)	1,116	1,208	1,418
Change in assumptions and other input	3,046	(2,916)	8,476
Diference between expected and actual	-	168	(1,611)
Benefit payments	(113)	(139)	(227)
Net change in Total OPEB liability	6,539	1,719	11,531
Total OPEB liability - beginning	28,327	34,866	36,585
Total OPEB liability - ending	34,866	36,585	48,116
Covered employee payroll	$ 565,801	$ 693,523	$ 755,531
OPEB liability as a percentage of covered employee payroll	6.16%	5.28%	6.37%

Notes to Schedule –
Note 1 – No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB State No. 75 to pay related benefits.
Note 2 – The actuarial assumptions and other inputs used to calculate the total OPE liability are described in note 4.D to the financial statements.
Note 3 – Due to the SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

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REQUIRED SUPPLEMENTARY INFORMATION

Major Governmental Funds

This supplementary schedule is included to supplement the basic financial statements as required by Governmental Accounting Standards Board.

CITY OF ITALY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL - MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund					Economic Development Corporation				
	Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget	Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
REVENUES										
Property Tax	$ 435,500	$ 417,748	$ 437	$ 418,185	$ (17,315)	$ -	$ -	$ -	$ -	$ -
Sales Tax	352,500	404,651	(6,099)	398,552	46,052	117,500	134,884	(2,033)	132,851	15,351
Franchise Tax	69,500	75,407	47	75,454	5,954	-	-	-	-	-
Hotel Occupancy Tax	8,000	5,380	(301)	5,079	(2,921)	-	-	-	-	-
Licenses and Permits	40,030	45,267	(39)	45,228	5,198	-	-	-	-	-
Fine, Forfeitures and Penalties	330,267	244,414	14,139	258,553	(71,714)	-	-	-	-	-
Revenues From Use of Money and Property	550	1,266	-	1,266	716	2,000	2,536	-	2,536	536
Other Revenue	43,150	89,361	-	89,361	46,211	1,590	5,890	(3,800)	2,090	500
Intergovernmental	-	21,527	-	21,527	21,527	-	-	-	-	-
Contributions	7,500	4,044	-	4,044	(3,456)	-	-	-	-	-
Total Revenues	1,286,997	1,309,065	8,184	1,317,249	30,252	121,090	143,310	(5,833)	137,477	16,387
EXPENDITURES										
Current										
Administration	390,576	337,351	61,175	398,526	7,950	-	-	-	-	-
Public Safety:										
Police Department	695,473	686,006	12,724	698,730	3,257	-	-	-	-	-
Municipal Court	127,811	136,169	101,994	238,163	110,352	-	-	-	-	-
Fire Department	2,400	2,400	-	2,400	-	-	-	-	-	-
Total Public Safety	825,684	824,575	114,718	939,293	113,609	-	-	-	-	-
Streets	77,170	132,088	-	132,088	54,918	-	-	-	-	-
Economic Development	-	-	-	-	-	85,889	191,494	(3,800)	187,694	101,805
Debt Service										
Principal Retirement and Interest	-	-	-	-	-	-	31,601	-	31,601	31,601
Total Expenditures	1,293,430	1,294,014	175,893	1,469,907	176,477	85,889	223,095	(3,800)	219,295	133,406
Excess (deficiency) of revenues Over Expenditures	$ (6,433)	$ 15,051	$ (167,709)	$ (152,658)	$ (146,225)	$ 35,201	$ (79,785)	$ (2,033)	$ (81,818)	$ (117,019)

INDIVIDUAL FUND FINANCIAL SCHEDULE

Proprietary Fund

ENTERPRISE (Utility) FUND – The City's water distribution, sewer utility and trash collection operations are accounting for in the fund.

CITY OF ITALY, TEXAS
SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION -
BUDGET AND ACTUAL - UTILITY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Final Budgeted Amounts	Actual GAAP Basis	Adjustments Budget Basis	Actual Budget Basis	Variance with Final Budget - Over (Under) Budget
OPERATING REVENUES					
Water Sales	$ 500,000	$ 546,617	$ 3,576	$ 550,193	$ 50,193
Sewer Charges	467,000	479,218	(4,996)	474,222	7,222
Sanitation Fees	232,000	242,056	(2,580)	239,476	7,476
Other Income	111,920	132,149	(9,019)	123,130	11,210
Total Operating Revenues	1,310,920	1,400,040	(13,019)	1,387,021	76,101
EXPENDITURES					
Personnel Services	409,138	400,453	(4,040)	396,413	(12,725)
Professional Services	17,125	10,989	-	10,989	(6,136)
Water	162,505	182,881	14,646	197,527	35,022
Sewer	87,755	249,860	96,701	346,561	258,806
Sanitation	186,000	194,465	-	194,465	8,465
Utilities and Communication	75,500	79,243	-	79,243	3,743
Insurance and Bonding	15,500	15,373	-	15,373	(127)
Employee Development	7,000	5,516	-	5,516	(1,484)
Depreciation and Amortization	-	601,573	(601,573)	-	-
Total Operating Expenses	960,523	1,740,353	(494,266)	1,246,087	285,564
Operating Income (Loss)	350,397	(340,313)	481,247	140,934	(209,463)
NON-OPERATING REVENUE (EXPENSES)					
Interest Income	1,603	2,179	-	2,179	576
Interest and Fiscal Charges	-	(68,228)	68,228	-	-
Bond Issuance Costs	-	(1,890)	1,890	-	-
Total Non-Operating Revenue (Expenses)	1,603	(67,939)	70,118	2,179	576
Income (Loss) Before Contributions & Transfers	352,000	(408,252)	551,365	143,113	(208,887)
Transfers In	-	74,387	(13,075)	61,312	61,312
Change in Net Position	$ 352,000	$ (333,865)	$ 538,290	$ 204,425	$ (147,575)

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APPENDIX D

FORM OF BOND COUNSEL OPINION

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NAMAN HOWELL SMITH & LEE PLLC
ATTORNEYS AT LAW

400 Austin Avenue
Suite 800
P. O. Box 1470
Waco, Texas 76703
(254) 755-4100
Fax (254) 754-6331

Offices in:
· Austin
· Fort Worth
· San Antonio
· Waco

www.namanhowell.com

August 2, 2021

Raymond James & Associates, Inc.
5956 Sherry Lane, Suite 1900
Dallas, Texas 75225

City of Italy
161 West Main Street
Italy, Texas 76651

WE HAVE ACTED as bond counsel for the City of Italy, Texas (the "City"), in connection with the bonds hereinafter described (the "Bonds"):

CITY OF ITALY, TEXAS, GENERAL OBLIGATION REFUNDING BONDS SERIES 2021, in the aggregate principal amount of $1,515,000

THE BONDS MATURE, bear interest, are subject to redemption prior to maturity, and may be transferred and exchanged as set out in the Bonds and in the Ordinance adopted by the City Council of the City authorizing their issuance and a related Pricing Certificate dated July 13, 2021 (with such Ordinance and Pricing Certificate referred to hereinafter as the "Ordinance").

WE HAVE ACTED as bond counsel for the sole purpose of rendering an opinion with respect to the legality and validity of the Bonds under the Constitution and laws of the State of Texas and with respect to the exclusion of interest on the Bonds from gross income for federal income tax purposes. We have not investigated or verified original proceedings, records, data or other material, but have relied solely upon the transcript of proceedings described in the following paragraph. We have not assumed any responsibility with respect to the financial condition or capabilities of the City or the disclosure thereof in connection with the sale of the Bonds.

IN OUR CAPACITY as bond counsel, we have participated in the preparation of and have examined a transcript of certified proceedings pertaining to the Bonds, and the obligations being refunded, on which we have relied in giving our opinion. The transcript contains certified copies of certain proceedings of the City; and other certified showings relating to the authorization and issuance of the Bonds. We have also examined such applicable provisions of the Internal Revenue Code of 1986, as

amended (the "Code"), court decisions, Treasury Regulations and published rulings of the Internal Revenue Service (the "Service") as we have deemed relevant to the exclusion of the interest on the Bonds from federal income taxation. We have also examined executed Bond No. T-1.

BASED ON SUCH EXAMINATION, IT IS OUR OPINION THAT:

(A) The transcript of certified proceedings evidences complete legal authority for the issuance of the Bonds in full compliance with the Constitution and laws of the State of Texas presently effective and, therefore, the Bonds constitute valid and legally binding obligations of the City secured by a pledge of the City's ad valorem taxes levied for debt service; and

(B) Firm banking and financial arrangements have been made for the discharge and final payment of the Refunded Obligations, and therefore such Refunded Obligations are deemed to be fully paid and no longer outstanding except for the purpose of being paid from the funds provided therefor in the Ordinance authorizing issuance of the Bonds.

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

IT IS OUR FURTHER OPINION THAT:

(1) Interest on the Bonds is excludable from gross income for federal income tax purposes under existing law; and

(2) 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 the Bonds or the amount, accrual or receipt of interest on the Bonds.

In providing the opinions set forth above, we have relied on representations of the City, and have assumed continuing compliance with the covenants in the Ordinance and a related federal tax certificate of the City pertaining to those sections of the Code that affect the exclusion from gross income of interest on the Bonds for federal income tax purposes. If the City fails to comply with the foregoing provisions of the Ordinance and the federal tax certificate, interest on the Bonds could become includable in gross income from the date of original delivery, regardless of the date on which the event causing such inclusion occurs.

Except as stated above, we express no opinion as to any federal, state or local tax consequences resulting from the receipt or accrual of interest on, or acquisition, ownership, or disposition of the Bonds.

The opinions set forth above are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement these opinions to reflect any facts or circumstances that may hereafter come to our attention or to reflect any changes in any law that may hereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given as to whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the City as the taxpayer. We observe that the City has covenanted in the Ordinance and the federal tax certificate not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

Very truly yours,

NAMAN, HOWELL, SMITH & LEE, PLLC

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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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 Bond 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.

SPECIMEN

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, th 'aying 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 o uch 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 thi 'olicy 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) al ayments 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. Th nsurer'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 Owne or 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 thi 'olicy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, al ights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired b ubrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations unde nis 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 instrumen ncluding any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect o nis Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity 'HIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THI 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 it Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

SPECIMEN

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)

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