NEW ISSUE-BOOK-ENTRY-ONLY

Rating: S&P: "AA"
(See "OTHER PERTINENT INFORMATION – Ratings" and "BOND INSURANCE" herein)

OFFICIAL STATEMENT
Dated: November 26, 2019

In the opinion of McCall, Parkhurst & Horton, L.L.P., Bond Counsel, under existing law, interest on the Bonds is excludable from gross income for federal income tax purposes and the Bonds are not "private activity bonds". See "TAX MATTERS" for a discussion of the opinion of Bond Counsel.

THE CITY HAS DESIGNATED THE BONDS AS "QUALIFIED TAX-EXEMPT OBLIGATIONS".
See "TAX MATTERS" herein.

$2,425,000
CITY OF ELECTRA, TEXAS
(A political subdivision of the State of Texas located in Wichita County)
GENERAL OBLIGATION REFUNDING BONDS,
SERIES 2019

Dated Date: December 15, 2019 | **Due: February 1, as shown on Inside Cover**

The City of Electra, Texas (the "City" or "Issuer"), is issuing its General Obligation Refunding Bonds, Series 2019 (the "Bonds") in accordance with the Constitution and laws of the State of Texas (the "State"), particularly Chapter 1207, Texas Government Code, as amended; and a bond ordinance authorizing the Bonds (the "Bond Ordinance") adopted by the City Commission of the City. In the Bond Ordinance, the City Commission delegates to a designated officer of the City the authority to complete the sale of the Bonds and to establish certain terms related to the terms of issuance and sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are jointly referred to herein as the "Ordinance". (See "THE BONDS - Authority for Issuance" herein.)

The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied, within the limits prescribed by law, against all taxable property in the City. (See "THE BONDS – Security for Payment" and "THE BONDS - Tax Rate Limitations" herein.)

Interest on the Bonds will accrue from December 15, 2019 (the "Dated Date"), will be payable February 1 and August 1 of each year, commencing February 1, 2020, until maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Bonds will be issued as fully-registered Bonds in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. Book-entry interests in the Bonds, within a stated maturity, will be made available for purchase in the principal amount of $5,000 or any integral multiple thereof. Purchasers of the Bonds ("Beneficial Owners") will not receive physical delivery of Bonds representing their interest in the Bonds purchased. So long as DTC or its nominee is the registered owner of the Bonds, the principal of and interest on the Bonds will be payable by U.S. Bank National Association, Dallas, Texas, as Paying Agent/Registrar, to DTC, which will in turn remit such principal and interest to its participating members, which will in turn remit such principal and interest to the Beneficial Owners of the Bonds. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's Combination Tax and Revenue Certificates of Obligation, Series 2006 (the "Refunded Obligations") in order to achieve debt service savings and (ii) pay costs related to the issuance of the Bonds. (See Schedule I – Schedule of Refunded Obligations, "PLAN OF FINANCING FOR THE BONDS – Purpose", "SOURCES AND USES OF FUNDS" and "THE BONDS – Use of Bond Proceeds" herein.)

The Issuer reserves the right to redeem the Bonds maturing on and after February 1, 2031, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, on February 1, 2029, or any date thereafter at the par value thereof plus accrued interest. Additionally, the Bonds maturing on February 1, 2031, February 1, 2034, February 1, 2038, February 1, 2042, and February 1, 2046 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE BONDS - Redemption Provisions" herein.)

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

BAM
BUILD AMERICA MUTUAL

MATURITY SCHEDULE
(See Inside Cover Page)

The Bonds are offered for delivery when, as and if issued by the City and accepted by the underwriter listed below (the "Underwriter") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, Bond Counsel. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal opinion of Bond Counsel may be printed on, or attached to, the Bonds. (See Appendix C – Form of Opinion of Bond Counsel). It is expected that the Bonds will be available for delivery through DTC on or about December 23, 2019.

SAMCO CAPITAL MARKETS

MATURITY SCHEDULE
(Due February 1)
Base CUSIP Number: 284767[1]

$585,000 Serial Bonds

Stated Maturity	Principal Amount	Interest Rate (%)	Initial Yield (%)[2]	CUSIP Suffix[1]
2/1/2020	$ 95,000	4.000	1.320	EK2
2/1/2021	55,000	4.000	1.420	EL0
2/1/2022	55,000	4.000	1.530	EM8
2/1/2023	60,000	4.000	1.600	EN6
2/1/2024	60,000	4.000	1.680	EP1
2/1/2025	65,000	4.000	1.770	EQ9
2/1/2026	65,000	4.000	1.870	ER7
2/1/2027	65,000	4.000	1.970	ES5
2/1/2028	65,000	4.000	2.050	ET3

(Interest to accrue from the Dated Date)

$1,840,000 Term Bonds

$220,000 4.000% Term Bonds due 2/1/2031 [3], Price to Yield 2.200% [2][4], CUSIP Suffix EW6[1]

$255,000 4.000% Term Bonds due 2/1/2034 [3], Price to Yield 2.400% [2][4], CUSIP Suffix EZ9[1]

$390,000 4.000% Term Bonds due 2/1/2038 [3], Price to Yield 2.570% [2][4], CUSIP Suffix FD7[1]

$450,000 4.000% Term Bonds due 2/1/2042 [3], Price to Yield 2.730% [2][4], CUSIP Suffix FH8[1]

$525,000 4.000% Term Bonds due 2/1/2046 [3], Price to Yield 2.840% [2][4], CUSIP Suffix FM7[1]

(1) CUSIP numbers have been assigned to this issue and are included solely for the convenience of the purchasers 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 Global Market Intelligence on behalf of The 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, its Financial Advisor nor the Underwriter is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) The initial yields and prices are established by, and are the sole responsibility of the Underwriter and may subsequently be changed from time to time at the sole discretion of the Underwriter.

(3) The Issuer reserves the right to redeem the Bonds maturing on and after February 1, 2031, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, on February 1, 2029, or any date thereafter. Additionally, the Term bonds are subject to mandatory sinking fund provisions, as further described herein. (See “THE BONDS – Redemption Provisions”)

(4) Yield shown is yield to first call date of February 1, 2029.

CITY OF ELECTRA, TEXAS
101 N. Main
Electra, TX 76360
(940) 495-2146

ELECTED OFFICIALS

Name	Title	Term Expires	Occupation
Lynda Lynn	Mayor	May 2020	Real Estate
Chris Lechman	Commissioner, Place 1	May 2021	Home Improvement & Business Owner
Austin Daniel	Commissioner, Place 2	May 2021	Construction Company Owner
Vacant	Commissioner, Place 3	--	--
Fran Davis	Commissioner, Place 4	May 2020	Retired

ADMINISTRATION

Name	Position	Length of Service with City
Steve Bowlin	City Administrator	4 years
Tracey Lowe	City Secretary	35 years

CONSULTANTS AND ADVISORS

Bond Counsel	McCall, Parkhurst & Horton, L.L.P. Dallas, Texas
Certified Public Accountants	MWH Group, P.C. Wichita Falls, Texas
Financial Advisor	Hilltop Securities, Inc. Dallas, Texas

For Additional Information Please Contact:

Steve Bowlin
City Administrator
City of Electra
101 N. Main
Electra, Texas 76360
(940) 495-2146
steve.bowlin@cityofelectra.com

Mr. John L. Martin, Jr.
Managing Director
Hilltop Securities
1201 Elm Street, Suite 3500
Dallas, Texas 75270
(214) 859-9447
john.martin@hilltopsecurities.com

USE OF INFORMATION IN THE OFFICIAL STATEMENT

This Official Statement, which includes the cover page, Schedule I and the Appendices hereto, does not constitute an offer to sell or the solicitation of an offer to buy in any jurisdiction to any person to whom it is unlawful to make such offer, solicitation or sale.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Certain information set forth herein has been obtained from the City and other sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the 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 will, under any circumstances, create any implication that there has been no change in the affairs of the City or other matters described herein since the date hereof. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

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

THE COVER PAGE AND THE PAGE ENTITLED "SELECTED DATA FROM THE OFFICIAL STATEMENT" CONTAIN CERTAIN INFORMATION FOR GENERAL REFERENCE ONLY AND THEY ARE NOT INTENDED AS A SUMMARY OF THE BONDS. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING THE SCHEDULE AND APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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 ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

THIS OFFICIAL STATEMENT CONTAINS "FORWARD-LOOKING" STATEMENTS WITHIN THE MEANING OF SECTION 21E OF THE UNITED STATES SECURITIES EXCHANGE ACT OF 1934, AS AMENDED. SUCH STATEMENTS MAY INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE THE ACTUAL RESULTS, PERFORMANCE AND ACHIEVEMENTS TO BE DIFFERENT FROM THE FUTURE RESULTS, PERFORMANCE AND ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. INVESTORS ARE CAUTIONED THAT THE ACTUAL RESULTS COULD DIFFER MATERIALLY FROM THOSE SET FORTH IN THE FORWARD-LOOKING STATEMENTS.

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

NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY STATE SECURITIES COMMISSION HAS APPROVED OR DISAPPROVED OF THE SECURITIES OR PASSED UPON THE ADEQUACY OR ACCURACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

REFERENCES TO WEB SITE ADDRESSES PRESENTED HEREIN ARE FOR INFORMATIONAL PURPOSES ONLY AND MAY BE IN THE FORM OF A HYPERLINK SOLELY FOR THE READER'S CONVENIENCE. UNLESS SPECIFIED OTHERWISE, SUCH WEB SITES AND THE INFORMATION OR LINKS CONTAINED THEREIN ARE NOT INCORPORATED INTO, AND ARE NOT PART OF, THIS OFFICIAL STATEMENT FOR ANY PURPOSES.

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

TABLE OF CONTENTS

The cover page, subsequent pages hereof and appendices attached hereto, are part of this Official Statement.

SELECTED DATA FROM THE OFFICIAL STATEMENT

The selected data 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 page from this Official Statement or to otherwise use it without the entire Official Statement.

The Issuer	The City of Electra, Texas (the "City" or "Issuer"), is located in Wichita County and is a Home Rule municipal corporation governed by a mayor and a four-member City Commission. The Mayor and four city commissioners are elected by place number at-large for two-year staggered terms. (See "Appendix B - General Information Regarding City of Electra and Wichita County" herein.)
The Bonds	The City of Electra, Texas General Obligation Refunding Bonds, Series 2019 (the "Bonds"), are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), including particularly Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and a bond ordinance (the "Bond Ordinance") adopted by the City Commission of the City (the "City Commission"). In the Bond Ordinance, the City Commission delegated to a designated officer of the City, pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are jointly referred to herein as the "Ordinance". (See "THE BONDS - Authority for Issuance" herein.)
Paying Agent/Registrar	The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas.
Security	The Bonds constitute direct obligations of the City payable from a continuing, direct annual ad valorem tax levied, within the limits prescribed by law, against all taxable property in the City. (See "THE BONDS – Tax Rate Limitations" herein.)
Redemption	The Issuer reserves the right to redeem the Bonds maturing on and after February 1, 2030, in principal amounts of $5,000 or any integral multiple thereof, at the redemption price of par plus accrued interest, on February 1, 2029, or any date thereafter at the par value thereof plus accrued interest. Additionally, the Bonds maturing on February 1, 2031, February 1, 2034, February 1, 2038, February 1, 2042, and February 1, 2046 are subject to the mandatory sinking fund redemption provisions, as further described herein. (See "THE BONDS - Redemption Provisions" herein.)
Use of Proceeds	Proceeds from the sale of the Bonds will be used to (i) refund a portion of the City's Combination Tax and Revenue Certificates of Obligation, Series 2006 (the "Refunded Obligations") in order to achieve debt service savings and (ii) pay costs related to the issuance of the Bonds. (See Schedule I – Schedule of Refunded Obligations, "PLAN OF FINANCING FOR THE BONDS – Purpose", "SOURCES AND USES OF FUNDS" and "THE BONDS – Use of Bond Proceeds" herein.)
Qualified Tax-Exempt Obligations	The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS" herein).
Book-Entry-Only System	The Issuer intends to utilize the Book-Entry-Only System of The Depository Trust Company , New York, New York ("DTC"), described herein. No physical delivery of the Bonds will be made to the beneficial owners of the Bonds. Such Book-Entry-Only System may affect the method and timing of payments on the Bonds and the manner in which the Bonds may be transferred. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)
Rating	S&P Global Ratings ("S&P") will assign its credit rating of "AA" to the Bonds, at the time of delivery of the Bonds, based upon a municipal bond insurance policy to be issued by Build America Mutual Assurance Company. (See "OTHER PERTINENT INFORMATION – Ratings" herein.)
Bond Insurance	The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Build America Mutual Assurance Company ("BAM"). (See "BOND INSURANCE" and "BOND INSURANCE RISK FACTORS" herein.).
Payment Record	The City has never defaulted in repayment of its bonded indebtedness.
Issuance of Additional Debt	The City has no plans to issue additional general obligation debt within the next twelve months.
Delivery	When issued, anticipated on or about December 23, 2019.
Legality	Delivery of the Bonds is subject to the approval by the Attorney General of the State and the rendering of an opinion as to legality by McCall, Parkhurst & Horton, L.L.P. Dallas, Texas.

INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Electra, Texas (the "City" or "Issuer") of its $2,425,000 General Obligation Refunding Bonds, Series 2019 (the "Bonds") identified on the cover page hereof.

Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below). Included in this Official Statement are descriptions of the Bonds and certain information about the Issuer and its finances. ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT. Copies of such documents may be obtained from the Issuer or the Financial Advisor upon request by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

This Official Statement speaks only as to its date, and the information contained herein is subject to change. A copy of the final Official Statement and Escrow Agreement (defined below) will be deposited with the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access ("EMMA") system. See "CONTINUING DISCLOSURE OF INFORMATION" herein for a description of the City's undertaking to provide certain information on a continuing basis.

PLAN OF FINANCING FOR THE BONDS

Purpose

The Bonds are being issued (i) refund a portion of the City's Combination Tax and Revenue Certificates of Obligation, Series 2006 (the "Refunded Obligations") in order to achieve debt service savings and (ii) pay costs related to the issuance of the Bonds. (see "SCHEDULE I - SCHEDULE OF REFUNDED OBLIGATIONS").

Refunded Obligations

The principal and interest due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the City and U.S. Bank National Association (the "Escrow Agent"). The Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter, the City will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on the redemption date as set forth in SCHEDULE I hereto. Such funds will be held uninvested by the Escrow Agent in a special account (the "Escrow Fund") until the Redemption Date.

Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Obligations. The Financial Advisor to the City will execute a certificate (the "Sufficiency Certificate") certifying that the amount deposited to the Escrow Fund will be sufficient to pay the principal of and interest on the Refunded Obligations on the redemption date.

By the deposit of the cash with the Escrow Agent pursuant to the Escrow Agreement, the City will have affected the defeasance of all of the Refunded Obligations in accordance with State law. It is the opinion of Bond Counsel that as a result of such defeasance and in reliance upon the Sufficiency Certificate, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding obligations of the City nor for the purpose of applying any limitation on the issuance of debt.

THE BONDS

General Description

The Bonds will be dated December 15, 2019 (the "Dated Date"). The Bonds are stated to mature on February 1 in the years and in the principal amounts and will bear interest at per annum rates as set forth on page ii hereof. The Bonds will be issued only in fully registered form and in principal denominations of $5,000 or any integral multiple thereof within a maturity. The Bonds shall bear interest from the Dated Date on the unpaid principal amounts, and the amount of interest to be paid each payment period shall be computed on the basis of a 360-day year of twelve 30-day months. Interest on the Bonds will be payable on February 1 and August 1 of each year commencing February 1, 2020, until maturity or prior redemption; provided, however, that so long as Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC") is the registered owner of the Bonds, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. Principal is payable at the designated office of the Paying Agent/Registrar, initially U.S. Bank National Association, Dallas, Texas. Interest on the Bonds shall be paid to the registered owners whose names appear on the registration books of the Paying Agent/Registrar at the close of business on the Record Date (as hereinafter defined) and shall be paid by the Paying Agent/Registrar (i) by check sent United States Mail, first class postage prepaid, to the address of the registered owner recorded in the registration books or (ii) by such other method, acceptable to the Paying Agent/Registrar, requested by, and at the risk and expense of, the registered owner. If the date for the payment of the principal of or interest on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

Initially, the Bonds will be registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described below. No physical delivery of the Bonds will be made to the Beneficial Owners. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co. which will distribute the amounts received to the Beneficial Owners of the Bonds. Such Book-Entry-Only System may change the method and timing of payment for the Bonds and the method of transfer. See "BOOK-ENTRY-ONLY SYSTEM" herein.

Authority for Issuance

The Bonds are being issued pursuant to Chapter 1207, Texas Government Code, as amended ("Chapter 1207"), and a bond ordinance (the "Bond Ordinance") adopted by the City Commission of the City (the "City Commission"). In the Bond Ordinance, the City Commission delegated to a designated officer of the City, pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale are included in a "Pricing Certificate," which completed the sale of the Bonds. The Bond Ordinance and the Pricing Certificate are jointly referred to herein as the "Ordinance."

Security for Payment

The Bonds constitute direct obligations of the Issuer payable from an annual ad valorem tax levied, within the limits prescribed by law against all taxable property in the City. (See "AD VALOREM TAX PROCEDURES – Tax Rate Limitations" herein.)

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 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. However, the City Charter of the City limits the maximum tax rate for all municipal purposes to seventy-five cents ($0.75) on the one hundred dollars of the assessed valuation of all taxable property within the City.

Redemption Provisions

Optional Redemption: The Bonds maturing on or after February 1, 2031 are subject to redemption prior to their stated maturity at the option of the City on February 1, 2029, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and, if within a stated maturity, selected at random and by lot by the Paying Agent/Registrar), at the redemption price of par plus accrued interest to the date fixed for redemption.

Mandatory Sinking Fund Redemption: In addition, the Term Bonds maturing on February 1 in the years 2031, 2034, 2038, 2042 and 2046 are subject to mandatory sinking fund redemption as described further herein are subject to mandatory sinking fund redemption by the Paying Agent/Registrar by lot, or by any other customary method that results in a random selection, at a price equal to the principal amount thereof, plus accrued interest to the redemption date, out of moneys available for such purpose in the interest and sinking fund for the Bonds, on February 1 in the years and in the respective principal amounts, set forth in the following schedule:

Term Bonds Maturing February 1, 2031

Year	Principal Amount
2/1/2029	$ 70,000
2/1/2030	75,000
2/1/2031*	75,000

Term Bonds Maturing February 1, 2034

Year	Principal Amount
2/1/2032	$ 80,000
2/1/2033	85,000
2/1/2034*	90,000

Term Bonds Maturing February 1, 2038

Year	Principal Amount
2/1/2035	$ 90,000
2/1/2036	95,000
2/1/2037	100,000
2/1/2038*	105,000

Term Bonds Maturing February 1, 2042

Year	Principal Amount
2/1/2039	$ 105,000
2/1/2040	110,000
2/1/2041	115,000
2/1/2042*	120,000

Term Bonds Maturing February 1, 2046

Year	Principal Amount
2/1/2043	$ 125,000
2/1/2044	130,000
2/1/2045	130,000
2/1/2046*	140,000

* Stated Maturity

If less than all of the Bonds subject to redemption are to be redeemed, the City shall determine the amounts of each maturity or maturities to be redeemed and shall direct the Paying Agent/Registrar to select by lot the Bonds, or portions thereof, within such maturity or maturities to be redeemed. Not less than thirty (30) days prior to a redemption date for the Bonds, the City shall cause a notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owners of each Bond or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. The notice with respect to an optional redemption of Bonds may state (1) that it is conditioned upon the deposit of moneys, in an amount equal to the amount necessary to effect the redemption, with the Paying Agent/Registrar or such other entity as may be authorized by law, no later than the redemption date, or (2) that the City retains the right to rescind such notice at any time prior to the scheduled redemption date if the City delivers a certificate of an authorized representative to the Paying Agent/Registrar instructing the Paying Agent/Registrar to rescind the redemption notice, and such notice and optional redemption will be of no effect if such moneys are not so deposited or if the notice is so rescinded. ANY NOTICE OF REDEMPTION SO MAILED TO THE REGISTERED OWNERS WILL BE DEEMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER ONE OR MORE OF THE REGISTERED OWNERS FAILED TO RECEIVE SUCH NOTICE. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Bonds or portions thereof which are to be so redeemed. If such notice of redemption is given and if all other conditions to redemption are satisfied, all as provided above, the Bonds or portion thereof which are to be redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

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

Use of Bond Proceeds

Proceeds from the sale of the Bonds will be used to (i) refund the Refunded Obligations in order to achieve debt service savings and (ii) pay costs related to the issuance of the Bonds. (See “SOURCES AND USES OF FUNDS” herein.)

Payment Record

The City has never defaulted in repayment of its bonded indebtedness.

Legality

The Bonds are offered when, as and if issued, subject to the approval by the Attorney General of the State of Texas and the rendering of an opinion as to legality by McCall, Parkhurst & Horton, L.L.P., Dallas, Texas, Bond Counsel. The legal opinion of Bond Counsel will accompany the Bonds to be deposited with DTC or will be printed on or attached to the Bonds should the Book-Entry-Only System be discontinued. The form of the legal opinion of Bond Counsel appears in Appendix C attached hereto.

Defeasance

The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent (or other financial institution permitted by applicable law), in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities that mature as to principal and interest in such mounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. Thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds. The Ordinance provides that "Defeasance Securities" means (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that are rated as to investment quality by a nat ionally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any other then authorized securities or obligations under applicable state law that may be used to defease obligations such as the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The foregoing obligations may be in book entry form, and shall mature and/or bear interest payable at such times and in such amounts as will be sufficient to provide for the scheduled payment of the Bonds.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Bonds have been made as described above, all rights of the City to take any action amending the terms of the Bonds are extinguished.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described in clauses (a) – (c) in the first paragraph of this section above to be made with amounts deposited to defease the Bonds. Because the Ordinance specifically permits the use of other investments that may be permitted by future law, registered owners are deemed to have consented to defeasance with such other investments, notwithstanding the fact that such investments may not be of the same investment quality as those currently permitted under Texas law. There is no assurance that the ratings for U.S. Treasury Securities used as Defeasance Securities or those for any other Defeasance Security will be maintained at any particular rating category.

Default and Remedies

The Ordinance establishes specific events of default with respect to the Bonds. If the City defaults in the payment of principal or interest on the Bonds when due, or defaults in the observation or performance of any other covenants, conditions, or obligations set for in the Ordinance, the failure to perform which materially, adversely affects the rights of the registered owners of the Bonds, including, but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

The Texas Supreme Court has ruled in Tooke v. City of Mexia, 197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or 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 and may be limited by general principles of equity which permit the exercise of judicial discretion and by governmental immunity.

SOURCES AND USES OF FUNDS

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

Sources of Funds	
Principal Amount	$ 2,425,000.00
Accrued Interest	2,155.56
Premium	252,629.30
Total Sources of Funds	$ 2,679,784.86
Uses of Funds	
Deposit to Escrow Fund	$ 2,578,754.58
Deposit to Debt Service Fund	3,606.21
Costs of Issuance	49,000.00
Bond Insurance Premium	22,503.82
Underwriter's Discount	25,920.25
Total Uses of Funds	$ 2,679,784.86

REGISTRATION, TRANSFER AND EXCHANGE

Paying Agent/Registrar

The initial Paying Agent/Registrar is U.S. Bank National Association, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Issuer replaces the Paying Agent/Registrar, the new Paying Agent/Registrar must accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, must be a competent and legally qualified bank, trust company, financial institution, or other agency to act as Paying Agent/Registrar. Upon a change in the Paying Agent/Registrar for the Bonds, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Bonds by United States mail, first-class, postage prepaid.

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

Record Date

The record date ("Record Date") for determining the person to whom interest is payable, on any interest payment date, means the fifteenth calendar day of the month next preceding such interest payment date.

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 Issuer. Notice of the Special Record Date and of the scheduled payment date of the past due interest (the "Special Payment Date"), which will be 15 days after the Special Record Date, must be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each registered owner of the 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.

Registration

The Bonds are initially to be issued utilizing the Book-Entry-Only system of DTC. In the event such Book-Entry-Only System should be discontinued for either or both series of Bonds, printed certificates will be delivered to the registered owners and thereafter the Bonds may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer 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 and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar in lieu of the Bonds being transferred or exchanged at the designated office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three (3) business days after the receipt of the Bonds to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in denominations of $5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Bond or Bonds surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be initially utilized in regard to ownership and transferability of the Bonds.)

Replacement Bonds

In the Ordinance, provision is made for the replacement of mutilated, destroyed, lost, or stolen Bonds issued under such Ordinance upon surrender of the mutilated Bonds to the Paying Agent/Registrar, or the receipt of satisfactory evidence of destruction, loss, or theft, and the receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental charges, and other expenses in connection with any such replacement.

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 September 30, 2019 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were $552.8 million, $130.8 million and $422.1 million, respectively.

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

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

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

Additional Information Available from BAM

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

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

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

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

BOND INSURANCE RISK FACTORS

General

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the Bonds owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by BAM at such time and in such amounts as would have been due absent such prepayment by the City (unless BAM chooses to pay such amounts at an earlier date). Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see “THE BONDS - Defaults and Remedies”). BAM may reserve the right to direct the pursuit of available remedies, and, in addition, may reserve the right to consent to any remedies available to and requested by the holders of the Bonds.

In the event BAM is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the ad valorem tax levied, within the limits prescribed by law, on all taxable property located within the City. In the event BAM becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Bonds.

If a Policy is acquired, the long-term ratings on the Bonds will be dependent in part on the financial strength of BAM and its claims-paying ability. BAM's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of BAM and of the ratings on the Bonds, whether or not subject to a Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds. See the disclosure described in “OTHER PERTINENT INFORMATION - Ratings” herein. The obligations of BAM under a Policy are general obligations of BAM and in an event of default by BAM the remedies available may be limited by applicable bankruptcy law. Neither the City nor the Financial Advisor has made independent investigation into the claims-paying ability of BAM and no assurance or representation regarding the financial strength or projected financial strength of BAM is given.

Claims-Paying Ability and Financial Strength of Municipal Bond Insurers

Moody’s Investor Services, Inc., S&P Global Ratings and Fitch Ratings (the “Rating Agencies”) have, over the last several years, downgraded and/or placed on negative watch the claims-paying and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers are possible. In addition, events over the last several years in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including any bond insurer of the Bonds. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Bonds and the claims paying ability of any such bond insurer, particularly over the life of the Bonds.

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 DTC while the Bonds are registered in its nominee name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City, the Financial Advisor, and the Underwriter believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

The City, the Underwriter and the Financial Advisor cannot and do not give any assurance that (1) DTC will distribute payments of debt service on the Bonds, or any 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 any notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules *applicable to DTC are on file with the United States Securities and Exchange Commission (the "SEC"), and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.*

DTC will act as securities depository for the 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 certificate will be issued for each maturity of the Bonds, in the aggregate principal amount of each maturity, and will be deposited with DTC.

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

Purchases of 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 Bonds ("Beneficial Owner") is in turn to be recorded on the 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 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 Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive Bonds representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer 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).

Redemption proceeds and 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 Issuer or the Paying Agent/Registrar, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time.

Payment of redemption proceeds and principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of the Participants.

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

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bonds will be printed and delivered. (See "REGISTRATION, TRANSFER, AND EXCHANGE" herein.)

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

Use of Certain Terms in Other Sections of this Official Statement

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

INVESTMENT POLICIES

Under law of the State of Texas (the "State"), the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, maximum allowable stated maturity of any individual investment and 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 Texas Public Funds Investment Act, Texas Government Code, chapter 2256, as amended (the "PFIA"). 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 State law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest for the reporting period of each pooled fund group, of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategy statements and (b) state law. No person may invest City funds without express written authority from the City Commission.

Additional Provisions

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the entity to disclose the relationship and file a statement with the Texas Ethics Commission and the City Commission; (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 or relates to investment transactions of the City that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the 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 purchase agreement; (8) restrict the investment in no-load mutual funds in the aggregate to no more than 15% of the City's monthly average fund balance, excluding bond proceeds and reserves and other funds held for debt service; (9) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements; and (10) at least annually review, revise, and adopt a list of qualified brokers that are authorized to engage in investment transactions with the City.

Investment Authority

Available City funds are invested as authorized by State law and in accordance with investment policies approved by the City Commission. Both State law and the City's investment policies are subject to change. Under State law, the City is authorized to invest in obligations meeting the requirements of the PFIA which may include: (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 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 the PFIA, that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or their respective successors, and are secured as to principal by obligations described in clauses (1) through (8) or in any other manner and provided for by law for City deposits, or (ii) certificates of deposits where (a) the funds are invested by the City through (A) a broker that has its main office or a branch office in the State and is selected from a list adopted by the City as required by law, or (B) a depository institution that has its main office or branch office in the State that is selected by the City, (b) the broker or the depository institution selected by the City arranges for the deposit of the funds in certificates of deposit in one or more federally insured depository institutions, wherever located, for the account of the City, (c) the full amount of the principal and accrued interest of each of the certificates of deposit is insured by the United States or an instrumentality of the United States, and (d) the City appoints the depository institution selected under (a) above, a custodian as described by Section 2257.041(d) of the 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 that have a defined termination date, are secured by a combination of cash and obligations described in clause (1), 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 a stated maturity of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least "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 at least "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.

The Issuer 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 Issuer 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 Issuer retains ultimate responsibility as fiduciary of its assets. In order to renew or extend such a contract, the Issuer must do so by order, ordinance, or resolution. The Issuer 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.

Current Investments

As of September 30, 2019, the City had investments totaling $295,997.32 (unaudited) held in CDs.

RETIREMENT PLAN AND OTHER POST RETIREMENT BENEFITS

In addition to its participation in the System, the City participates in a cost-sharing multiple-employer defined benefit group life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). For more detailed information concerning the City's funding policy and contributions in connection with the TMRS and SDBF, see Appendix D, "Excerpts from the Issuer's Annual Financial Report".

AD VALOREM PROPERTY TAXATION

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

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

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

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

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

STATE MANDATED HOMESTEAD EXEMPTIONS. . . State law grants, with respect to each taxing unit in the State, various exemptions for disabled veterans and their families, surviving spouses of members of the armed services killed in action and surviving spouses of first responders killed or fatally wounded in the line of duty. See Table 8 for the reduction in taxable valuation attributable to state-mandated homestead exemptions.

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the market value of all homesteads (but not less than $5,000) and (2) an additional exemption of the market value of the homesteads of persons 65 years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. See Table 1 for the reduction in taxable valuation, if any, attributable to local option homestead exemptions.

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

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

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

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

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

Until September 1, 1999, school districts were able to reduce the value of taxable property reported to the State to reflect any value lost due to TIRZ participation by the district. The ability of the school district to deduct the value of the tax increment that it contributed prevented the school district from being negatively affected in terms of state school funding. However, due to a change in law, school districts may not reduce their taxable property value to reflect losses for TIRZs created on or after May 31, 1999. In 2001 the Legislature enacted legislation known as the Texas Economic Development Act (Chapter 313, Texas Tax Code) , which allows school districts to grant limitations on appraised property values and provide ad valorem tax credits to certain corporations and limited liability companies to encourage economic development within the district. Generally, during the last eight years of the ten-year term of a tax limitation agreement, the school district may only levy and collect ad valorem taxes for maintenance and operation purposes on the agreed-to limited appraised property value. The taxpayer is entitled to a tax credit from the school district for the amount of taxes imposed during the first two years of the tax limitation agreement on the appraised value of the property above the agreed-to limited value. (see "AD VALOREM PROPERTY TAXATION – Issuer Application of Property Tax Code").

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

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

PUBLIC HEARING AND MAINTENANCE AND OPERATION TAX RATE LIMITATIONS

The following terms as used in this section have the meanings provided below:

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

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

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

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

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

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

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

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

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

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

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

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

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

rate and voter-approval tax rate must be reduced by the amount of the estimated sales tax revenues to be generated in the current tax year.

The calculations of the no-new-revenue tax rate and voter-approval tax rate do not limit or impact the City’s ability to set a debt service tax rate in each year sufficient to pay debt service on all of the City’s tax-supported debt obligations, including the Bonds. Reference is made to the Property Tax Code for definitive requirements for the levy and collection of ad valorem taxes and the calculation of the various defined tax rates.

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all tax-supported debt service, as calculated at the time of issuance. However, the City Charter of the City limits the maximum tax rate for all municipal purposes, to seventy-five cents ($0.75) on the one hundred dollars of the assessed valuation of all taxable property within the City.

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

CITY APPLICATION OF THE PROPERTY TAX CODE

The Wichita County Appraisal District is responsible for appraising property within the City.

The City grants an exemption of $6,000 to the market value of the residence homestead of persons 65 years of age or older.

The City's grants the following State mandated amounts that a qualified disabled veteran receives depending on the veteran's disability rating from the branch of the armed service: disability rating of 10%-29% receives a $5,000 exemption amount from the property's value; disability rating of 30%-49% receives a $7,500 exemption amount from the property's value; disability rating of 50%-69% receives a $10,000 exemption amount from the property's value; and disability rating of 70%-100% receives a $12,000 exemption amount from the property's value.

The City does not tax non-business personal property.

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

The City offers Article VIII, Section 1-j ("freeport property") exemptions but has not granted any such exemptions.

The City does tax Goods in Transit

The City does not offer abatements.

The City has not created a Tax Increment Reinvestment Zone.

TAX MATTERS

<u>Opinion</u>

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Bond Counsel to the Issuer, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel to the Issuer will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C -- Form of Opinion of Bond Counsel.

In rendering its opinion, Bond Counsel to the Issuer will rely upon (a) the Issuer's federal tax certificate and (b) covenants of the Issuer with respect to arbitrage, the application of the proceeds to be received from the issuance and sale of the Bonds and certain other matters. Failure of the Issuer to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel to the Issuer is conditioned on compliance by the Issuer with the covenants and the requirements described in the preceding paragraph, and Bond Counsel to the Issuer has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. The Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that such Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the facilities financed or refinanced with the proceeds of the Bonds. Bond Counsel’s opinion represents its legal judgment based upon its review of Existing Law and the representations of the Issuer that it deems relevant to render such opinion and is not a guarantee of a result. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the Issuer as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof or one or more periods for the payment of interest on the Bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (i) the "stated redemption price at maturity" of each Original Issue Discount Bond, and (ii) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the Bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see discussion set forth below.

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond. The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Bonds which are not purchased in the initial offering at the initial offering price may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state and local income tax purposes of the treatment of interest accrued upon redemption, sale or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local and foreign tax consequences of the purchase, ownership, redemption, sale or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership or disposition of the Bonds. This discussion is based on Existing Law, which is subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with Subchapter C earnings and profits, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

THE DISCUSSION CONTAINED HEREIN MAY NOT BE EXHAUSTIVE. INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM RECENTLY ENACTED LEGISLATION OR THE PURCHASE, OWNERSHIP AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount Bonds" to the extent such gain does not exceed the accrued market discount of such Bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local and Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States persons.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the Internal Revenue Service. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient’s federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

Future and Proposed Legislation

Tax legislation, administrative actions taken by tax authorities, or court decisions, whether at the Federal or state level, may adversely affect the tax-exempt status of interest on the Bonds under Federal or state law and could affect the market price or marketability of the Bonds. Any such proposal could limit the value of certain deductions and exclusions, including the exclusion for tax-exempt interest. The likelihood of any such proposal being enacted cannot be predicted. Prospective purchasers of the Bonds should consult their own tax advisors regarding the foregoing matters.

Qualified Tax-Exempt Obligations for Financial Institutions

Section 265(a) of the Code provides, in pertinent part, that interest paid or incurred by a taxpayer, including a "financial institution," on indebtedness incurred or continued to purchase or carry tax-exempt obligations is not deductible in determining the taxpayer<s taxable income. Section 265(b) of the Code provides an exception to the disallowance of such deduction for any interest expense paid or incurred on indebtedness of a taxpayer that is a "financial institution" allocable to tax-exempt obligations, other than "private activity bonds," that are designated by a "qualified small issuer" as "qualified tax-exempt obligations." A "qualified small issuer" is any governmental issuer (together with any "on-behalf of" and "subordinate" issuers) who issues no more than $10,000,000 of tax-exempt obligations during the calendar year. Section 265(b)(5) of the Code defines the term "financial institution" as any "bank" described in section 585(a)(2) of the Code, or any person accepting deposits from the public in the ordinary course of such person's trade or business that is subject to federal or state supervision as a financial institution. Notwithstanding the exception to the disallowance of the deduction of interest on indebtedness related to "qualified tax-exempt obligations" provided by section 265(b) of the Code, section 291 of the Code provides that the allowable deduction to a "bank," as defined in section 585(a)(2) of the Code, for interest on indebtedness incurred or continued to purchase "qualified tax-exempt obligations" shall be reduced by twenty-percent (20%) as a "financial institution preference item."

The Issuer has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the Issuer covenants to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however the Internal Revenue Service could**

take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the $10,000,000 limitation and the Bonds would not be "qualified tax-exempt obligations."

LEGAL MATTERS

The City will furnish a complete transcript of proceedings incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of the State to the effect that the Bonds are valid and legally 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 C.

The customary closing papers, including a certificate of the City to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of said Bonds, will also be furnished. In connection with the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City. Except as noted below, Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect hereto or undertaken independently to verify any of the information contained herein except that in its capacity as Bond Counsel, such firm has reviewed the information appearing under the captions or subcaptions “PLAN OF FINANCING FOR THE BONDS – Refunded Obligations,” “THE BONDS” (except under the subcaption “Payment Record” and “Default and Remedies”) "REGISTRATION, TRANSFER AND EXCHANGE," "TAX MATTERS," "CONTINUING DISCLOSURE OF INFORMATION (except under the subcaption "Compliance with Prior Agreements"), “LEGAL MATTERS” except the last sentences of the second paragraph thereof as to which no opinion is expressed, and the subcaptions “Registration and Qualification of Bonds for Sale” and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER PERTINENT INFORMATION", and such firm is of the opinion that the information relating to the Bonds and legal matters contained in the Official Statement under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Bonds, such information conforms to the Ordinance. The legal fee to be paid Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent on the sale and delivery of the Bonds. The legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fee to be paid to such counsel is contingent on 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 opinion as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

CONTINUING DISCLOSURE OF INFORMATION

The City is exempt from certain of the continuing disclosure obligations set forth in the United States Securities and Exchange Commission Rule 15c2-12, as amended (the “Rule”), pursuant to the exemption under subsection (d)(2), which applies to certain small issuers such as the City who are not an “obligated person” (as defined in the Rule) responsible for the repayment of municipal securities outstanding (including the Bonds) in an aggregate principal amount exceeding $10,000,000. This exception allows the City to not file annual updates to all financial and operating data that is included in this Official Statement.

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 annually provide certain updated financial information and operating data that is customarily prepared by the City and that is publicly available; such information to be provided is the City’s comprehensive annual financial report. The City will also file timely notice of specified events to the Municipal Securities Rulemaking Board (the “MSRB”). The information provided to the MSRB will be available to the public free of charge via the Electronic Municipal Markets Access system (“EMMA”) through an internet website accessible at www.emma.msrb.org. Such information may also be obtained from the City at: City of Electra; 101 N. Main; Electra, TX 76360; Attn: City Administrator; (940) 495-2146.

Annual Reports

The City will provide certain updated financial information and operating data to the MSRB on an annual basis in an electronic format that is prescribed by the MSRB and available via the EMMA system. The information to be updated is the City's Annual Audited Financial Report. The City will update and provide this information within twelve months after the end of each fiscal year. Any such financial statements will be prepared in accordance with the accounting principles described in Appendix D or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB’s Internet Web site identified above or filed with the SEC', as permitted by SEC Rule 15c2-12 (the "Rule").

The City’s current fiscal year end is September 30. Accordingly, the City must provide updated information by the last day of September in each year following the end of its fiscal year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change prior to the next date by which the City otherwise would be required to provide financial information and operating data.

Event Notices

The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of 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 the trustee, if material, (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the City, any of which reflect financial difficulties. Neither the Bonds nor the continuing disclosure agreement make any provision for liquidity enhancement, the funding of debt service reserves or the appointment of a trustee. In addition, the City will provide timely notice of any failure by the City to provide annual financial information, data or financial statements in accordance with its agreement described above under "Annual Reports." The City will provide each notice described in this paragraph to the MSRB in an electronic format, as prescribed by the MSRB.

For these purposes, (A) any event described in the subsection (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, and (B) as used in subsections (15) and (16), “Financial Obligation” means a (i) debt obligation, (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or (iii) guarantee of a debt obligation or any such derivative instrument; provided that “financial obligation” shall not include municipal securities as to which a final official statement (as defined in SEC Rule 15c2-12, the “Rule”) has been provided to the MSRB consistent with the Rule.

Availability of Information

In connection with its continuing disclosure agreements entered into with respect to the Bonds, the City will file all required information and documentation with the MSRB in electronic format with identifying information in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB at www.emma.msrb.org.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document (including an official statement or other offering document), if it is available to the public on the MSRB’s Internet website or has been filed with the SEC.

Limitations and Amendments

The City has agreed to update information and to provide notices of 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 or beneficial owners of Bonds may seek a writ of mandamus to compel the City to comply with its agreement.

The City may amend its continuing disclosure agreements from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the City, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell the Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the Ordinance that authorize such an amendment) of the outstanding Bonds subject to the proposed amendment, as the case may be, consent to such amendment or (b) a person that is unaffiliated with the

City (such as nationally recognized Bond Counsel) determines that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds subject to the proposed amendment. The City may also amend or repeal the provisions of its continuing disclosure agreements if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling Bonds in the primary offering of the Bonds. If the City amends its agreements, it must include with the next financial information and operating data provided in accordance with its agreements 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 information and data provided.

Compliance with Prior Agreements

The City has not previously entered into a continuing disclosure agreement pursuant to the Rule.

OTHER PERTINENT INFORMATION

Registration and Qualification of Bonds for Sale

The sale of the Bonds has not been registered under the 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.

Litigation

In the opinion of the City officials, the Issuer is not a party to any litigation or other proceeding pending or to its knowledge, threatened, in any court, agency or other administrative body (either state or federal) which, if decided adversely to the City, would have a material adverse effect on the financial condition of the City.

Legal Investments and Eligibility to Secure Public Funds in Texas

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Government Code, as amended) provides that the Bonds are negotiable instruments, investment securities governed by Chapter 8, Texas Business and Commerce Code, as amended, and are authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State, the PFIA, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER PERTINENT INFORMATION – Rating" 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 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 fair market value. No review has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

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

Rating

S&P Global Ratings, ("S&P") will assign its credit rating of "AA" to the Bonds, at the time of delivery of the Bonds, based upon a municipal bond insurance policy to be issued by Build America Mutual Assurance Company.

Financial Advisor

Hilltop Securities, Inc. is employed as a Financial Advisor to the City in connection with the issuance of the Bonds. In this capacity, the Financial Advisor has compiled certain data relating to the Bonds and has assisted in drafting this Official Statement. The Financial Advisor has not independently verified any of the data contained herein or conducted a detailed investigation of the affairs of the City to determine the accuracy or completeness of this Official Statement. Because of its limited participation, the Financial Advisor assumes no responsibility for the accuracy or completeness of any of the information contained herein. The fees for the Financial Advisor are contingent upon the issuance, sale and delivery of the Bonds.

Underwriting

The Underwriter has agreed, subject to certain conditions to purchase the Bonds from the Issuer at a price of $2,651,709.05 (representing the par amount of the Bonds of $2,425,000.00, plus an original issue premium of $252,629.30, less an Underwriter's discount of $25,920.25), plus accrued interest on the Bonds from the Dated Date to the date of initial delivery of the Bonds.

The Underwriter's obligation is subject to certain conditions precedent. The Bonds may be offered and sold to certain dealers and others at prices lower than such public offering prices, and such public prices may be changed, from time to time, by the Underwriter.

The Underwriter has provided the following statement for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement pursuant to its responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

Audited Financial Statements

MWH Group, P.C., the City's independent auditor, has not reviewed, commented on, or approved, and is not associated with, this Official Statement. Excerpts from the report of MWH Group, P.C. relating to City's financial statements for the fiscal year ended September 30, 2018 are included in this Official Statement in Appendix D; however, MWH Group, P.C. has not performed any procedures on such financial statements since the date of such report, and has not performed any procedures on any other financial information of the City, including without limitation any of the information contained in this Official Statement.

Forward-Looking Statements Disclaimer

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

The forward-looking statements included herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial, and other governmental authorities and officials.

Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and many of which are beyond the control of the City. Any of such assumptions could be inaccurate and, therefore, there can be no assurance that the forward-looking statements included in this Official Statement will prove to be accurate.

CONCLUDING STATEMENT

The financial data and other information contained in this Official Statement have been obtained from the City's records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and ordinance contained in this Official Statement are made subject to all of the provisions of such statues, documents and ordinance. 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.

In the Bond Ordinance, the City Commission authorized the Pricing Officer to approve, for and on behalf of the City, (i) the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and (ii) the Underwriter's use of this Official Statement in connection with the public offering and the sale of the Bonds in accordance with the Rule.

This Official Statement has been approved by the City Commission of the Issuer for distribution in accordance with the provisions of the Securities and Exchange Commission's rule codified at 17 C.F.R. Section 240.15c2-12.

CITY OF ELECTRA, TEXAS

Steve Bowlin
Pricing Officer

SCHEDULE I
SCHEDULE OF REFUNDED OBLIGATIONS

Combination Tax and Revenue Certificates of Obligation, Series 2006
Date of Redemption: 1/15/20

Maturity February 1	Original Principal Amount	Interest Rate	Amount to be Refunded	Unrefunded Amount
2020	$ 50,000	4.250%	$ 50,000	$ -
2021	55,000	4.250%	55,000	-
2022	55,000	4.250%	55,000	-
2023	60,000	4.250%	60,000	-
2024	60,000	4.250%	60,000	-
2025	65,000	4.250%	65,000	-
2026	65,000	4.250%	65,000	-
2027	70,000	4.250%	70,000	-
2028	70,000	4.250%	70,000	-
2029	75,000	4.250%	75,000	-
2030	80,000	4.250%	80,000	-
2031	80,000	4.250%	80,000	-
2032	85,000	4.250%	85,000	-
2033	90,000	4.250%	90,000	-
2034	95,000	4.250%	95,000	-
2035	95,000	4.250%	95,000	-
2036	100,000	4.250%	100,000	-
2037	105,000	4.250%	105,000	-
2038	110,000	4.250%	110,000	-
2039	115,000	4.250%	115,000	-
2040	120,000	4.250%	120,000	-
2041	125,000	4.250%	125,000	-
2042	130,000	4.250%	130,000	-
2043	135,000	4.250%	135,000	-
2044	140,000	4.250%	140,000	-
2045	145,000	4.250%	145,000	-
2046	155,000	4.250%	155,000	-
	$ 2,530,000		$ 2,530,000	$ -

TOTAL AMOUNT OF REFUNDED OBLIGATIONS: $2,530,000.00

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APPENDIX A

FINANCIAL INFORMATION OF THE ISSUER

(This appendix contains quantitative financial information and operating data with respect to the Issuer. The information is only a partial representation and does not purport to be complete. For further and more complete information, reference should be made to the original documents, which can be obtained from various sources, as noted.)

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FINANCIAL INFORMATION OF THE CITY OF ELECTRA

ASSESSED VALUATION — TABLE 1

2019 Actual Market Value of Taxable Property			$	96,269,434
Less:				
Exempt Property (Ag Value lost & Homestead Cap loss)			$	716,722
Total Assessed Valuation			$	95,552,712
Less Exemptions:				
Disabled Veteran	$	640,901		
Abatements		-		
Over 65 and disabled (local option)		1,755,970		
Disabled Persons Local Option		-		
Homestead		-		
Prorated Exempt Property Property (other exemptions)		30,480,389		
			$	32,877,260
2019 Net Taxable Value [1]			$	63,392,174

[1] See "AD VALOREM TAXATION" in the Official Statement for a description of the Issuer's taxation procedures.

Source: Wichita County Appraisal District

GENERAL OBLIGATION BONDED DEBT — TABLE 2

General Obligation Debt Outstanding:		
Combination Tax & Revenue Certificates of Obligation, Series 2006	$	2,530,000
General Obligation Refunding Bonds, Series 2014A		1,330,000
General Obligation Refunding Bonds, Taxable Series 2014B		240,000
General Obligation Refunding Bonds, Series 2019 (The Bonds)		2,425,000
Refunded Obligations (see Schedule I)		(2,530,000)
Total Gross General Obligation Debt:	$	3,995,000
Less Self-Supporting General Obligation Debt:		
Combination Tax & Revenue Certificates of Obligation, Series 2006 (75%)		1,897,500
Total Self-Supporting General Obligation Debt	$	1,897,500
Total Net General Obligation Debt Outstanding:	$	2,097,500

Population: 1990 - 3,113; 2000 - 3,168; 2010 - 2,791; 2018 Estimate		2,706
Per Capita 2019 Net Taxable Valuation -	$	23,427
Per Capita Gross General Obligation Debt -		1,476
Per Capita Net General Obligation Debt -		775
Ratio of Gross General Obligation Debt to Net Taxable Value		6.30%
Ratio of Net General Obligation Debt to Net Taxable Value		3.31%

[1] See "AD VALOREM TAXATION" in the Official Statement description of the Issuer's taxation procedures.

OTHER OBLIGATIONS - CAPITAL LEASES AND NOTES PAYABLE — TABLE 3

The following is a schedule of future minimum capital lease payments for the City as of September 30, 2019

Payee & Description	Original Principal	Principal Outstanding	Annual Payments	Final Due Date
American National Leasing Co.	$ 27,801	$ 27,801	$ 10,113	March 2023
American National Leasing Co.	28,408	28,408	10,334	March 2023
American National Leasing Co.	28,408	28,408	10,334	March 2023
Government Capital Corp.	110,000	50,043	13,368	September 2024
Kyocera State of TX Dicpo 4428	5,122	86	86	December 2019
Kyocera State of TX Dicpo 4428	7,123	237	237	January 2020
American National Leasing Co.	5,965	5,965	2,164	May 2022
American National Leasing Co.	19,266	19,266	3,025	May 2022

Source: City of Electra

GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS **TABLE 4**

Fisc Year 30-Sep	Current Total Debt Service	Refunded Obligations	The Bonds Principal	The Bonds Interest	The Bonds Total	Combined Debt Service [a]	Less: Self-Supporting Debt	Net General Obligation Debt Service
2020	$ 490,279	$ (156,463)	$ 95,000	$ 58,994	153,994	$ 487,811	$ 119,900	$ 367,911
2021	495,806	(159,231)	55,000	92,100	147,100	483,675	118,200	365,475
2022	486,086	(156,894)	55,000	89,900	144,900	474,092	116,500	357,592
2023	491,119	(159,450)	60,000	87,600	147,600	479,269	119,694	359,575
2024	490,826	(156,900)	60,000	85,200	145,200	479,126	117,781	361,345
2025	159,244	(159,244)	65,000	82,700	147,700	147,700	120,763	26,937
2026	156,481	(156,481)	65,000	80,100	145,100	145,100	118,638	26,462
2027	158,613	(158,613)	65,000	77,500	142,500	142,501	116,513	25,988
2028	155,638	(155,638)	65,000	74,900	139,900	139,901	119,281	20,620
2029	157,556	(157,556)	70,000	72,200	142,200	142,200	116,944	25,256
2030	159,263	(159,263)	75,000	69,300	144,300	144,301	119,500	24,801
2031	155,863	(155,863)	75,000	66,300	141,300	141,301	116,950	24,351
2032	157,356	(157,356)	80,000	63,200	143,200	143,200	119,294	23,906
2033	158,638	(158,638)	85,000	59,900	144,900	144,901	116,531	28,370
2034	159,706	(159,706)	90,000	56,400	146,400	146,400	118,663	27,737
2035	155,669	(155,669)	90,000	52,800	142,800	142,800	115,688	27,112
2036	156,525	(156,525)	95,000	49,100	144,100	144,100	117,606	26,494
2037	157,169	(157,169)	100,000	45,200	145,200	145,200	119,313	25,887
2038	157,600	(157,600)	105,000	41,100	146,100	146,100	120,806	25,294
2039	157,819	(157,819)	105,000	36,900	141,900	141,900	117,194	24,706
2040	157,825	(157,825)	110,000	32,600	142,600	142,600	118,475	24,125
2041	157,619	(157,619)	115,000	28,100	143,100	143,100	119,544	23,556
2042	157,200	(157,200)	120,000	23,400	143,400	143,400	120,400	23,000
2043	156,569	(156,569)	125,000	18,500	143,500	143,500	116,150	27,350
2044	155,725	(155,725)	130,000	13,400	143,400	143,400	116,794	26,606
2045	154,669	(154,669)	130,000	8,200	138,200	138,200	117,225	20,975
2046	158,294	(158,294)	140,000	2,800	142,800	142,800	117,444	25,356
	$ 5,915,157	$ (4,249,975)	$ 2,425,000	$ 1,468,394	$ 3,893,394	$ 5,558,576	$ 3,191,791	$ 2,366,785

[a] Includes general obligation self-supporting debt.

TAX ADEQUACY (Excludes Self-Supporting Debt) **TABLE 5 A**

2019 Assessed Valuation available for General Obligation Debt.	$ 63,392,174
Maximum Annual Debt Service Requirements (Fiscal Year Ending 2029) [a]	$ 367,911
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.592217

[a] Excludes general obligation self-supporting debt and the Refunded Obligations. Includes the Bonds.

Note: The above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

TAX ADEQUACY Includes Self-Supporting Debt) **TABLE 5 B**

2019 Assessed Valuation available for General Obligation Debt.	$ 63,392,174
Maximum Annual Debt Service Requirements(Fiscal Year Ending 2029) [a]	$ 487,811
Indicated Maximum Interest and Sinking Fund Tax Rate at 98% Collections	$ 0.785217

[a] Includes general obligation self-supporting debt and the Bonds. Excludes the Refunded Obligations.

Note: The above computation is exclusive of investment earnings, delinquent tax collections and penalties and interest on delinquent tax collections.

GENERAL OBLIGATION PRINCIPAL REPAYMENT SCHEDULE **TABLE 6**

Fiscal Year Ending 9/30	Outstanding Bonds	Refunded Obligations	The Bonds	Total	Bonds Unpaid at End of Year	Percent of Principal Retired (%)
2020	$ 350,000	$ (50,000)	$ 95,000	$ 395,000	$ 3,600,000	9.89%
2021	365,000	(55,000)	55,000	365,000	3,235,000	19.02%
2022	365,000	(55,000)	55,000	365,000	2,870,000	28.16%
2023	380,000	(60,000)	60,000	380,000	2,490,000	37.67%
2024	390,000	(60,000)	60,000	390,000	2,100,000	47.43%
2025	65,000	(65,000)	65,000	65,000	2,035,000	49.06%
2026	65,000	(65,000)	65,000	65,000	1,970,000	50.69%
2027	70,000	(70,000)	65,000	65,000	1,905,000	52.32%
2028	70,000	(70,000)	65,000	65,000	1,840,000	53.94%
2029	75,000	(75,000)	70,000	70,000	1,770,000	55.69%
2030	80,000	(80,000)	75,000	75,000	1,695,000	57.57%
2031	80,000	(80,000)	75,000	75,000	1,620,000	59.45%
2032	85,000	(85,000)	80,000	80,000	1,540,000	61.45%
2033	90,000	(90,000)	85,000	85,000	1,455,000	63.58%
2034	95,000	(95,000)	90,000	90,000	1,365,000	65.83%
2035	95,000	(95,000)	90,000	90,000	1,275,000	68.09%
2036	100,000	(100,000)	95,000	95,000	1,180,000	70.46%
2037	105,000	(105,000)	100,000	100,000	1,080,000	72.97%
2038	110,000	(110,000)	105,000	105,000	975,000	75.59%
2039	115,000	(115,000)	105,000	105,000	870,000	78.22%
2040	120,000	(120,000)	110,000	110,000	760,000	80.98%
2041	125,000	(125,000)	115,000	115,000	645,000	83.85%
2042	130,000	(130,000)	120,000	120,000	525,000	86.86%
2043	135,000	(135,000)	125,000	125,000	400,000	89.99%
2044	140,000	(140,000)	130,000	130,000	270,000	93.24%
2045	145,000	(145,000)	130,000	130,000	140,000	96.50%
2046	155,000	(155,000)	140,000	140,000	-	100.00%
	$ 4,100,000	$ (2,530,000)	$ 2,425,000	$ 3,995,000		

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TAXABLE ASSESSED VALUATION FOR TAX YEARS 2015-2019 — TABLE 7

Year	Net Taxable Valuation	Change From Preceding Year Amount ($)	Change From Preceding Year Percent
2015	83,211,021	(2,442,417)	(2.85%)
2016	77,261,262	(5,949,759)	(7.15%)
2017	61,704,998 [1]	(15,556,264)	(20.13%)
2018	61,823,731	118,733	0.19%
2019	62,675,452	851,721	1.38%

[1] One of the City's largest taxpayers closed operations in 2016.

Source: City of Electra and Wichita County Appraisal District.

ASSESSED VALUATION AND EXEMPTION HISTORY — TABLE 8

	2019	2018	2017	2016	2015
Total Market Value:	$ 96,269,434	$ 94,134,852	$ 87,991,899	$ 102,579,558	$ 106,441,469
Less: Homestead Cap:	$ 348,009	$ 241,355	$ 315,587	$ 100,901	$ 120,714
Exempt Property:					
Productivity Loss:	368,713	379,908	382,607	296,814	296,584
	$ 716,722	$ 621,263	$ 698,194	$ 397,715	$ 417,298
Less Exemptions:					
Homestead:	$ -	$ -	$ -	$ -	$ -
Over 65 Local Option:	1,755,970	1,725,584	1,666,781	1,662,634	1,649,520
Disabled Persons Local Option:	-	-	-	-	-
Disabled Veterans:	640,901	770,739	665,622	689,806	722,563
Misc Personal Property:	20,983	32,306	32,598	-	-
Other:	30,459,406	29,161,229	23,223,706	22,568,141	20,441,067
	$ 32,877,260	$ 31,689,858	$ 25,588,707	$ 24,920,581	$ 22,813,150
Net Taxable Valuation	$ 62,675,452	$ 61,823,731	$ 61,704,998	$ 77,261,262	$ 83,211,021

Source: City of Electra and Wichita County Appraisal District.

PRINCIPAL TAXPAYERS TABLE 9

Name	Type of Business	2019 Net Taxable Valuation	% of Total 2019 Valuation
Layline Field Services LLC	Oil & Gas	$ 2,834,466	4.52%
Burlington Northern & Santa Fe Railroad	Railroad	1,904,592	3.04%
Electra Telephone Co	Telephone	1,238,700	1.98%
NATCO	Manufacturing	1,205,907	1.92%
Oncor Electric Delivery	Utility Co	1,018,050	1.62%
Atmos Energy MID TX Dist	Utility Co	916,510	1.46%
WM 41 Electra RE LLC	Nursing Home	735,000	1.17%
Flusche Supply Inc	Oilfield Supply	568,038	0.91%
Nason Samuel B III	Oil & gas Operator	549,873	0.88%
High Five Capital LP	Convenience Store	492,330	0.79%
Total		$ 11,463,466	18.29%

Based on a 2019 Net Taxable Valuation of $ 62,675,452

Source: Wichita County Appraisal District

PROPERTY TAX RATES AND COLLECTIONS (a) TABLE 10

Tax Year	Net Taxable Valuation	Tax Rate	Tax Levy	% Collections Current	% Collections Total	Fiscal Year Ended
2015	$ 83,211,021	$ 0.6492	$ 540,206	98.71%	98.71%	9/30/2016
2016	77,261,262	0.6995	540,443	98.12%	98.12%	9/30/2017
2017	61,704,998	0.6995	431,626	96.46%	96.46%	9/30/2018
2018	61,823,731	0.6970	430,936	94.04%	94.04%	9/30/2019
2019	62,675,452	0.6970	436,860	(In the process of collection.)		9/30/2020

[a] See "AD VALOREM TAX PROCEDURES - Levy and Collection of Taxes" in the body of the Official Statement for a complete discussion of the City's provisions.

Source: City of Electra

TAX RATE DISTRIBUTION TABLE 11

	2019/2020	2018/2019	2017/2018	2016/2017	2015/2016
General Fund	$ 0.3485	$ 0.3485	$ 0.3491	$ 0.3491	$ 0.3238
I & S Fund	0.3485	0.3485	0.3504	0.3504	0.3254
TOTAL	$ 0.6970	$ 0.6970	$ 0.6995	$ 0.6995	$ 0.6492

Sources: City of Electra.

MUNICIPAL SALES TAX **TABLE 12**

The City collects the maximum amount of sales tax available by state law, which is two percent (2%). Net collections for the City's sales tax and the sales tax for each purpose are shown below.

Fiscal Year End	Total 2% Collected		1.00% General Fund	0.50% Crime control	0.25% EDC	0.25% Street Maint.
2014	$ 630,182		$ 315,091	$ 157,545	$ 78,773	$ 78,773
2015	418,599		209,300	104,650	52,325	52,325
2016	356,398		178,199	89,099	44,550	44,550
2017	377,559		188,779	94,390	47,195	47,195
2018	399,862		199,931	99,965	49,983	49,983
2019	327,251	*	163,626	81,813	40,906	40,906

* Through October 2019

Source: State Comptroller's Office of the State of Texas and information from the Issuer.

OVERLAPPING DEBT DATA AND INFORMATION **TABLE 13**

Taxing Body	Principal Outstanding	As of	% Overlapping	Amount Overlapping
Electra ISD	$ 10,805,000	10/31/2019	41.06%	$ 4,436,533
Wichita County	65,750,500	10/31/2019	1.04%	683,805
Total Gross Overlapping Debt	$ 76,555,500			$ 5,120,338
City of Electra	$ 3,995,000 [(1)]		100.00%	3,995,000
Total Direct and Overlapping Debt				$ 9,115,338

Ratio of Direct and Overlapping Debt to 2019 Net Assessed Valuation	14.38%
Ratio of Direct and Overlapping Debt to 2019 Actual Value	9.47%
Per Capita Direct and Overlapping Debt	$ 0.14

The Issuer's Net General Obligation Debt is	$ 2,097,500
Calculations on the basis of Net General Obligation Debt would change the above figures as follows:	
Total Direct and Overlapping Debt	$ 7,217,838
Ratio of Direct and Overlapping Debt to 2019 Net Assessed Valuation	11.39%
Ratio of Direct and Overlapping Debt to 2019 Actual Value	7.50%
Per Capita Direct and Overlapping Debt	$ 2,667.35

(1) Includes the Bonds and excludes the Refunded Obligations. (See "TABLE 2" herein.)

Source: City of Electra and Texas Municipal Report published by the Municipal Advisory Council of Texas.

ASSESSED VALUATION AND TAX RATE OF OVERLAPPING ENTITIES **TABLE 14**

Governmental Entity	2019 Valuation	2019 Tax Rate
Electra ISD	$ 180,475,138	$ 1.4483
Wichita County	7,173,356,997	0.6718

Source: Wichita County Apprasial District.

GENERAL FUND COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES AND ANALYSIS OF CHANGES IN FUND BALANCES **TABLE 16**

	Fiscal Year Ending September 30				
	2019 *	2018	2017	2016	2015
Fund Balance - Beginning of Year	$ 418,753	$ 257,625	$ 146,581	$ (139,261)	$ (174,769)
Revenues:					
Taxes (Property and Sales)	$ 558,737	$ 560,980	$ 598,196	$ 565,142	$ 695,494
Revenue from use of property	32,239	27,910	17,751	12,767	121,597
Licenses and Permits	11,304	13,784	8,388	4,779	6,649
Intergovernmental	80,460	34,244	38,800	41,995	82,027
Charges for services	10,388	12,516	13,515	18,505	15,110
Fines & Fees	28,275	30,589	40,348	29,190	27,931
Contributions	34,569	56,812	100,746	30,065	29,695
Miscellaneous	43,890	165,197	12,830	12,028	24,976
Total Revenues	$ 799,862	$ 902,032	$ 830,574	$ 714,471	$ 1,003,479
Expenditures:					
General Government	$ 456,821	$ 355,779	$ 322,859	$ 308,168	$ 326,157
Judicial	65,833	46,536	36,509	46,396	90,365
Police	799,755	683,722	671,335	660,089	815,147
Fire Protection	43,776	53,049	35,002	45,438	142,884
Parks and recreation	9,464	6,662	2,868	2,438	2,616
Economic development	-	-	-	7	1,496
Library	99,267	92,793	89,311	90,796	93,681
Street Department	311,941	258,376	268,788	307,809	345,199
Animal control department	53,935	41,757	38,833	43,310	22,747
Senior citizens center	106,904	129,495	99,116	104,536	129,387
Ambulance service	36,000	33,000	36,000	57,923	36,000
Tax department	10,523	12,250	10,613	8,903	9,358
Golf course	36,965	36,112	35,950	35,965	35,618
Swimming pool	53,318	47,135	45,305	42,193	39,939
Cemetery	849	10,934	60,450	247	1,807
Code compliance	4,038	18,372	20,953	9,849	84,959
Main Street	-	-	-	344	48,317
Debt Service Principal	32,758	56,143	54,742	53,217	54,569
Debt Service Interest	6,512	8,054	7,896	11,001	9,649
Total Expenditures	$ 2,128,659	$ 1,890,169	$ 1,836,530	$ 1,828,629	$ 2,289,895
Other Sources (Uses)					
Excess (Deficit) of Revenues Over Expenditures	$ (1,328,797)	$ (988,137)	$ (1,005,956)	$ (1,114,158)	$ (1,286,416)
Other Financing Sources (Uses)					
Proceeds from sale of assets	$ 84,732	$ 19,265	$ -	$ -	$ 206,924
Operating Transfers In / Out(1)	$ 1,060,000	1,130,000	1,117,000	1,400,000	1,115,000
Prior Period Adjustment	-	-	-	-	-
Fund Balance - End of Year	$ 234,688	$ 418,753	$ 257,625	$ 146,581	$ (139,261)

* *Unaudited*

(1) Represents annual transfer from municipal utilities.

FUNDS BALANCES | **TABLE 17**

(As of September 30, 2019)

General Obligation Bond Interest and Sinking Funds	$	518,461
General Operating Fund		185,167
	$	703,628

Source: City of Electra

OUTSTANDING REVENUE BONDS | **TABLE 18**

None

UTILITY SYSTEM OPERATING STATEMENT | **TABLE 19**

	Fiscal Year Ending September 30				
	2019	**2018**	**2017**	**2016**	**2015**
Revenues	$ 4,234,122	$ 4,403,542	$ 4,299,055	$ 4,507,991	$ 4,525,309
Expenses	4,194,034	4,316,478	4,200,474	4,342,879	4,443,291
Net Revenue Available for Debt Service	$ 40,088	$ 87,064	$ 98,581	$ 165,111	$ 82,018
Annual Debt Service Requirements	$ -	$ -	$ -	$ -	$ -

Source: The Issuer's Financial Statements; expenses are exclusive of depreciation expense.

Customer Count:	**2019**	**2018**	**2017**	**2016**	**2015**
Water	1,209	1,228	1,243	1,236	1,256
Sewer	1,024	1,045	1,062	1,053	1,083

Source: The City of Electra.

APPENDIX B

GENERAL INFORMATION REGARDING CITY OF ELECTRA, TEXAS

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**INFORMATION REGARDING THE CITY OF ELECTRA
AND WICHITA COUNTY, TEXAS**

GENERAL

The City of Electra is located in Wichita County, 25 miles northwest of Wichita Falls. The City occupies a land area of 2.4 square miles and serves a population of over 2,700.

Wichita County is located in north Texas. The county seat is Wichita Falls. The County is a political subdivision of the State and is located in the north central area of the State along the Oklahoma border. With a 2017 population of approximately 131,838, the County covers an area of 628 square miles and is part of the Wichita Falls Metropolitan Statistical Area. Wichita Falls, the largest city and county seat, is located 144 miles northwest of Dallas, Texas, and 141 miles southwest of Oklahoma City, Oklahoma. The County is home to Sheppard Air Force Base, the largest and most diversified military technical training site in the Air Education and Training Command.

Wichita County economy is based on agribusiness and government installations. Principal sources of agricultural income include cattle, cotton and wheat. Sheppard Air Force Base is an integral part of the City's economy.

POPULATION TRENDS

Year	City of Electra	Wichita County
2018 estimate	2,706	132,064
2010	2,791	131,500
2000	3,168	131,664
1990	3,113	122,378

Source: United States Census Bureau

LEADING EMPLOYERS

Employer	Principal Line of Business	Number of Employees
Electra Memorial Hospital	Medical	250
Electra ISD	Education	185
City of Electra	Municipality	35
Lay Line	Oil Production	30

Source: City of Electra

EMPLOYMENT STATISTICS

	Wichita County		State of Texas	
	September 2019	September 2018	September 2019	September 2018
Total Civilian Labor Force	56,395	56,315	14,112,718	13,849,870
Total Employed	54,704	54,472	13,641,101	13,337,031
Total Unemployed	1,691	1,843	471,617	512,839

Source: Texas Employment Commission, Austin, Texas.

UNEMPLOYMENT RATES

	September 2019	September 2018
Wichita County	3.0	3.3
State of Texas	3.3	3.7
United States of America	3.3	3.6

Source: Texas Employment Commission, Austin, Texas.

APPENDIX C

FORM OF LEGAL OPINION OF BOND COUNSEL

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Proposed Form of Opinion of Bond Counsel

An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.

CITY OF ELECTRA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2019

IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,425,000

AS BOND COUNSEL FOR THE CITY OF ELECTRA, TEXAS, (the "*Issuer*") in connection with the issuance of the General Obligation Refunding Bonds described above (the "*Bonds*"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds and in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "*Ordinance*"). Terms used herein and not otherwise defined shall have the meaning given in the Ordinance.

WE HAVE EXAMINED the applicable and pertinent provisions of the Constitution and laws of the State of Texas, a transcript of certified proceedings of the Issuer, and other pertinent instruments authorizing and relating to the issuance and sale of the Bonds, including executed Bond Number T-1.

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Bonds have been duly authorized, issued and delivered in accordance with law; and that except as may be limited by laws applicable to the Issuer relating to sovereign immunity of political subdivisions, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, the Bonds constitute valid and legally binding obligations of the Issuer; and that ad valorem taxes sufficient to provide for the payment of the interest on and principal of said Bonds have been levied and pledged for such purpose, within the limit prescribed by law, all as defined and provided in the Ordinance.

IT IS FURTHER OUR OPINION that, except as discussed below, under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion, for federal income tax purposes, the interest on the Bonds (i) is excludable from the gross income of the owners thereof and (ii) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds.

IN EXPRESSING THE AFOREMENTIONED OPINIONS, we have relied on and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the ordinance adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project being refinanced and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds and the sufficiency certificate of the Issuer's financial advisor certifying the amount deposited to the escrow fund will be sufficient to pay the principal of and interest on the refunded obligations on the redemption date, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

WE EXPRESS NO OPINION as to any insurance policies issued with respect to the payments due for the principal of and interest on the Bonds, nor as to any such insurance policies issued in the future.

OUR SOLE ENGAGEMENT in connection with the issuance of the Bonds is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer 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 from gross income of the interest on the Bonds for federal income tax purposes, and for no other reason or purpose. The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result. We have not been requested to investigate or verify, and have not independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, or the disclosure thereof in connection with the sale of the Bonds, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Bonds and have relied solely on certificates executed by officials of the Issuer as to the current outstanding indebtedness of, and assessed valuation of taxable property within, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Bonds has been limited as described therein.

OUR OPINIONS ARE BASED ON EXISTING LAW, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (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 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 Issuer as the taxpayer. We observe that the Issuer has covenanted 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.

Respectfully,

APPENDIX D

ISSUER’S AUDITED FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018

(Independent Auditor's Report, General Financial Statements and Notes to the Financial Statements - not intended to be a complete statement of the Issuer's financial condition. Reference is made to the complete Annual Financial Report for further information.)

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CITY OF ELECTRA, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

MWH
CERTIFIED PUBLIC ACCOUNTANTS
CONSULTANTS

CITY OF ELECTRA, TEXAS
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2018

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CONSULTANTS

Independent Auditor's Report on Financial Statements

City Commission
City of Electra, Texas
101 North Main
Electra, Texas 76360

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Electra, Texas, as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the City of Electra, Texas' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Electra, Texas, as of September 30, 2018, 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.

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CITY OF ELECTRA

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ELECTRA, TEXAS 76360-2699

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Electra, Texas, we offer readers of the City's Annual Financial Report this narrative overview and analysis of the City's financial performance during the fiscal year ended September 30, 2018. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by $7,953,304 (net position). Of this amount, $1,565,586 (unrestricted net position) may be used to meet the City's obligations.

- During the year, the City's total net position increased by $245,017.

- The governmental funds reported a fund balance this year of $418,753, which is an increase of $161,128 in comparison with the prior year fund balance. The City has $9,679 of restricted fund balance for the cemetery projects and assigned $175,547 of fund balance for specific programs as described in the notes to the financial statements, resulting in an unassigned fund balance of $233,527. Unassigned fund balance represents the amount available for spending at the government's discretion.

- At the end of the current fiscal year, unassigned and assigned fund balance for the general fund was $409,074, or approximately 22% of the total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

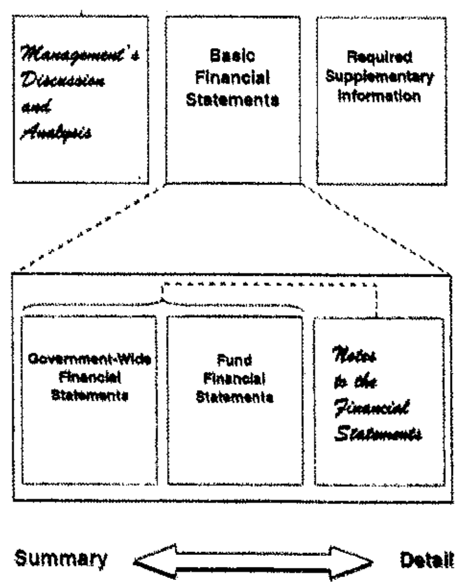
- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.

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

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

- The *proprietary fund statements* offer *short-* and *long-term* financial information about the activities the government operates like businesses, such as the water, sewer, and electric systems.

Figure A-1
Required Components of the City's
Annual Financial Report



- *Component Unit.* The City includes one other entity in its report – Electra 4B Economic Development Corporation. Although legally separate, this "component unit" is important because the City is financially accountable for it.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds* - not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.

- The City Commission establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds* - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page of the governmental funds statement that explains the relationship (or differences) between them.

- *Proprietary funds* - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both short- and long-term financial information. In fact, the City's proprietary funds are the same as its business-type activities, but provide more detail and information, such as cash flows.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's net position, the amount that the City's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, was $7,953,304 ($1,656,001 for Governmental Activities and $6,297,303 for Business-type Activities) at September 30, 2018 (See Table A-1).

Table A-1
City's Net Position

	Governmental Activities 2017	Governmental Activities 2018	Percentage Change	Business-type Activities 2017	Business-type Activities 2018	Percentage Change
Current and other assets	$ 547,511	$ 740,338	35.22%	$ 1,892,836	$ 1,971,283	4.14%
Capital assets, net	1,412,347	1,365,683	-3.30%	9,339,930	9,052,266	-3.08%
Total assets	1,959,858	2,106,021	7.46%	11,232,766	11,023,549	-1.86%
Total deferred outflows of resources	99,025	28,180	-71.54%	64,082	34,085	-47.90%
Current and other liabilities	138,244	124,759	-9.75%	282,314	298,525	5.74%
Long-term liabilities	418,786	310,521	-25.85%	4,802,536	4,459,239	-7.19%
Total liabilities	557,030	435,280	-21.86%	5,084,850	4,757,764	-6.47%
Total deferred inflows of resources	4,538	42,920	845.79%	1,026	2,567	150.19%
Net position						
Net investment in capital assets	1,195,106	1,193,162	-0.16%	4,610,106	4,638,099	0.61%
Restricted	10,785	9,679	-10.25%	540,886	546,778	1.09%
Unrestricted	291,424	453,160	55.50%	1,059,980	1,112,426	4.95%
Total net position	$ 1,497,315	$ 1,656,001	10.60%	$ 6,210,972	$ 6,297,303	1.39%

Governmental Activities

Table A-2 presents the various revenue categories and gross costs of each of the City's functional areas for the current year.

Table A-2
Changes in Net Assets

	Governmental Activities		Business-type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Revenues						
Program revenues:						
Charges for services	$ 80,662	$ 91,136	$4,020,790	$4,172,927	$ 4,101,452	$ 4,264,063
Operating grants and contributions	68,403	67,346	-	-	68,403	67,346
Capital grants and contributions	71,142	23,710	-	-	71,142	23,710
General revenues:						
Property taxes	275,215	219,462	269,566	212,269	544,781	431,731
Sales taxes	281,066	296,655	-	-	281,066	296,655
Franchise fees	49,387	50,106	-	-	49,387	50,106
Other taxes	642	1,104	-	-	642	1,104
Investment earnings	5,451	11,110	8,698	18,346	14,149	29,456
Miscellaneous	20,905	171,875	-	-	20,905	171,875
Total revenues	852,873	932,504	4,299,054	4,403,542	5,151,927	5,336,046
Expenses						
General administration	338,468	358,806	-	-	338,468	358,806
Police department	724,057	709,561	-	-	724,057	709,561
Fire department	72,551	71,381	-	-	72,551	71,381
Legal and judicial	36,523	41,223	-	-	36,523	41,223
Street department	304,615	290,888	-	-	304,615	290,888
Animal control	39,552	42,441	-	-	39,552	42,441
Library	95,032	97,155	-	-	95,032	97,155
Senior citizens center	110,756	111,850	-	-	110,756	111,850
Ambulance service	36,000	33,000	-	-	36,000	33,000
Tax department	10,613	12,250	-	-	10,613	12,250
Parks and recreation	10,883	13,085	-	-	10,883	13,085
Golf course	36,409	36,571	-	-	36,409	36,571
Swimming pool	45,785	47,615	-	-	45,785	47,615
Cemetery	709	14,067	-	-	709	14,067
Main Street	5,887	5,887	-	-	5,887	5,887
Code compliance	21,980	18,038	-	-	21,980	18,038
Utility costs	-	-	3,083,476	3,187,211	3,083,476	3,187,211
Total expenses	1,889,820	1,903,818	3,083,476	3,187,211	4,973,296	5,091,029
Transfers	1,117,000	1,130,000	(1,117,000)	(1,130,000)	-	-
Increase in net assets	$ 80,053	$ 156,686	$ 98,578	$ 86,331	$ 178,631	$ 245,017

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2018, the City had invested in a broad range of capital assets totaling $10,417,949, net of accumulated depreciation (See Table A-4).

Table A-4

Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Land	$ 27,156	$ 27,156	$ 188,114	$ 188,114	$ 215,270	$ 215,270
Buildings, systems, and improvements, net	347,505	334,671	9,093,870	8,815,565	9,441,375	9,150,236
Furniture and equipment, net	400,922	384,486	57,946	48,587	458,868	433,073
Infrastructure	636,764	619,370	-	-	636,764	619,370
Totals	$1,412,347	$1,365,683	$ 9,339,930	$ 9,052,266	$10,752,277	$10,417,949

Long-term Liabilities

At year-end the City had $4,674,801 in long-term liabilities, net, as shown in Table A-5. More detailed information about the City's long-term liabilities is presented in the notes to the financial statements as well as in the supplemental schedules.

Table A-5

Long-term Liabilities Outstanding

	Governmental Activities		Business-type Activities		Totals	
	2017	2018	2017	2018	2017	2018
Capital lease payable	$ 44,703	$ 27,274	$ -	$ -	$ 44,703	$ 27,274
Note payable	172,538	145,247	-	-	172,538	145,247
Bonds payable, net	-	-	4,780,000	4,445,000	4,780,000	4,445,000
Compensated absences	45,545	52,584	3,277	4,696	48,822	57,280
Totals	$ 262,786	$ 225,105	$ 4,783,277	$ 4,449,696	$ 5,046,063	$ 4,674,801

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2018-2019 budget preparation was approximately $61,823,731, an increase of 1.9% from last year's value.

This indicator was taken into account when adopting the General Fund budget for 2018-2019. Amounts available for appropriation in the General Fund budget are $2,121,877, an increase of 2.7% from the final 2017-2018 budget of $2,330,813. The General Fund expenditures budget for 2018-2019 is $2,121,877, an increase of $231,708, or 12.3%, from 2017-2018 actual expenditures of $1,890,169.

If these estimates are realized, the City's budgetary General Fund's fund balance is not expected to change by the close of 2018-2019.

Basic Financial Statements

CITY OF ELECTRA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Electra 4B Economic Development Corporation
Assets				
Cash and cash equivalents	$ 517,305	$ 740,441	$ 1,257,746	$ 205,269
Receivables, net:				
Ad valorem taxes	54,482	-	54,482	-
Sales taxes	58,846	-	58,846	19,615
Municipal court	131,006	-	131,006	-
Utility accounts	-	72,654	72,654	-
Other	4,003	-	4,003	168,500
Internal balances due to/from other funds	(60,000)	60,000	-	-
Accrued utility revenues	-	528,188	528,188	-
Property held for sale	10,000	-	10,000	85,531
Restricted assets:				
Cash and cash equivalents	9,679	567,993	577,672	-
Capital assets, net	1,365,683	9,052,266	10,417,949	2,025
Net pension asset	15,017	2,007	17,024	-
Total assets	2,106,021	11,023,549	13,129,570	480,940
Deferred Outflows of Resources				
Deferred loss on early retirement	-	30,833	30,833	-
Deferred outflows of resources from pensions	21,907	2,551	24,458	-
Deferred outflows of resources from OPEB	6,273	701	6,974	-
Total deferred outflows of resources	28,180	34,085	62,265	-
Liabilities				
Accounts payable	111,621	227,746	339,367	45,000
Accrued payroll	6,925	1,063	7,988	-
Accrued interest	-	25,296	25,296	-
Other accrued liabilities	6,213	23,205	29,418	-
Customer deposits	-	21,215	21,215	-
Long-term liabilities:				
Capital lease due or payable within one year	10,282	-	10,282	-
Note due or payable within one year	28,328	-	28,328	-
Bonds due or payable within one year	-	345,000	345,000	-
Accrued compensated absences	52,584	4,696	57,280	-
Total OPEB liability	85,416	9,543	94,959	-
Capital lease due or payable after one year	16,992	-	16,992	-
Note due or payable after one year	116,919	-	116,919	-
Bonds due or payable after one year	-	4,100,000	4,100,000	-
Total liabilities	435,280	4,757,764	5,193,044	45,000
Deferred Inflows of Resources				
Deferred inflows of resources from pensions	42,920	2,567	45,487	-
Total deferred inflows of resources	42,920	2,567	45,487	-
Net Position				
Net investment in capital assets	1,193,162	4,638,099	5,831,261	2,025
Restricted for:				
Debt service	-	546,778	546,778	-
Cemetery	9,679	-	9,679	-
Unrestricted	453,160	1,112,426	1,565,586	433,915
Total net position	$ 1,656,001	$ 6,297,303	$ 7,953,304	$ 435,940

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit
$ (341,618)	$ -	$ (341,618)	$ -
(644,097)	-	(644,097)	-
(40,468)	-	(40,468)	-
(40,169)	-	(40,169)	-
(290,888)	-	(290,888)	-
(38,129)	-	(38,129)	-
(96,124)	-	(96,124)	-
(77,606)	-	(77,606)	-
(33,000)	-	(33,000)	-
(12,250)	-	(12,250)	-
(11,235)	-	(11,235)	-
(36,571)	-	(36,571)	-
(40,789)	-	(40,789)	-
5,243	-	5,243	-
(5,887)	-	(5,887)	-
(18,038)	-	(18,038)	-
(1,721,626)	-	(1,721,626)	-
-	985,716	985,716	-
(1,721,626)	985,716	(735,910)	-
-	-	-	(54,985)
219,462	212,269	431,731	-
296,655	-	296,655	98,886
50,106	-	50,106	-
1,104	-	1,104	-
11,110	18,346	29,456	242
171,875	-	171,875	4,000
1,130,000	(1,130,000)	-	-
1,880,312	(899,385)	980,927	103,128
158,686	86,331	245,017	48,143
1,497,315	6,210,972	7,708,287	387,797
$ 1,656,001	$ 6,297,303	$ 7,953,304	$ 435,940

CITY OF ELECTRA, TEXAS

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

Total fund balances - governmental funds balance sheet (Exhibit A-3)		$ 418,753
Amounts reported for governmental activities in the statement of net position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	$ 3,633,652	
Less accumulated depreciation	(2,267,969)	1,365,683
Property taxes and municipal court receivables are not available to pay for current period expenditures and therefore are deferred in the funds.		181,809
The City's proportionate share of net pension asset as well as pension-related deferred outflows and deferred inflows of resources are recognized in the government-wide statements and include:		
Net pension asset	15,017	
Deferred outflows of resources from pensions	21,907	
Deferred inflows of resources from pensions	(42,920)	(5,996)
The City's total OPEB liability as well as OPEB-related deferred outflows of resources are recognized in the government-wide statements and include:		
Total OPEB liability	(85,416)	
Deferred outflows of resources from pensions	6,273	(79,143)
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. The long-term liability at year-end consisted of:		
Capital lease	(27,274)	
Note payable	(145,247)	
Accrued compensated absences	(52,584)	(225,105)
Net position of governmental activities - statement of net position		$ 1,656,001

The accompanying notes are an integral part of this statement.

CITY OF ELECTRA, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED SEPTEMBER 30, 2018

Net change in fund balances - total governmental funds (Exhibit A-5)		$ 161,128
Amounts reported for governmental activities in the statement of activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the costs of those assets are allocated over their useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	$ 94,478	
Depreciation expense during the year	(133,604)	(39,126)
Proceeds from the sale of capital assets are reported in governmental funds as other financing sources without regard to any cost basis adjustment. However, for governmental activities those proceeds are adjusted for any remaining cost basis of the assets that were disposed.		303
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. The net effect of these transactions are as follows:		
Issuance of long-term debt	(19,265)	
Repayment of long-term debt	56,143	36,878
Because property taxes and municipal court receivables will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred revenues increased this year by:		30,167
Accrued compensated absences reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. Compensated absences increased this year by:		(7,039)
Changes in the proportionate share of net pension liability and related deferred inflows and outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:		(17,060)
Changes in the total OPEB liability and related deferred outflows reported in the Statement of Activities do not provide for or require use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds. The net effect of these transactions is:		(6,565)
Change in net position of governmental activities - statement of activities		$ 158,686

The accompanying notes are an integral part of this statement.

EXHIBIT A-8

CITY OF ELECTRA, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION - ENTERPRISE FUND FOR THE YEAR ENDED SEPTEMBER 30, 2018

	Utility Fund
Operating revenues:	
Water service	$ 1,086,993
Sewer service	166,355
Electric service	2,651,076
Sanitation and refuse collection	262,535
Other revenues	5,968
Total operating revenues	4,172,927
Operating expenses:	
Water production	579,568
Electrical production	1,856,083
Sanitary sewer	66,414
Sanitation and refuse collection	202,408
Bad debt expense	18,883
Depreciation and amortization	287,664
Total operating expenses	3,011,020
Operating income	1,161,907
Non-operating revenues (expenses):	
Ad valorem taxes	212,269
Interest income	18,346
Bond interest expense	(176,191)
Total non-operating revenues (expenses)	54,424
Income before transfers	1,216,331
Transfers out	(1,130,000)
Change in net position	86,331
Net position, beginning, as restated (see note M)	6,210,972
Net position, ending	$ 6,297,303

The accompanying notes are an integral part of this statement.

2. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, an Amendment of GASB Statement No. 14, includes whether:

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

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 39 requires inclusion of such an organization as a component unit when: 1) the economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) the City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) such economic resources are significant to the City.

Based on these criteria, the City has one component unit, the Electra 4B Economic Development Corporation. This discretely presented component unit is reported in a separate column in the government-wide financial statements that emphasize that it is legally separate from the City. The discretely presented component unit has a September 30th year end. The Electra 4B Development Corporation has not issued separate financial statements for the period ended September 30, 2018.

3. Basis of Presentation and Basis of Accounting

a. Basis of Presentation

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

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

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds. The City has no nonmajor funds.

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

The general fund is the only major governmental fund. This is the City's primary operating fund. It accounts for all financial resources of the City.

A. Summary of Significant Accounting Policies

The accompanying financial statements of the City of Electra, Texas (City) have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Financial Reporting Model

In June 1999, the GASB issued Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement, known as the "Reporting Model" statement, affects the way the City prepares and presents financial information. State and local governments traditionally have used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The Statement was developed to make annual reports easier to understand and more useful to the people who use governmental financial information to make decisions and includes:

Management's Discussion and Analysis - GASB Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the government's financial activities in the form of a "management's discussion and analysis" (MD&A). This analysis is similar to the analysis the private sector provides in their annual reports.

Government-Wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the government's activities. Government-wide financial statements do not provide information by fund or account group, but distinguish between the City's governmental activities, business-type activities, and activities of its discretely presented component unit on the statement of net position and statement of activities. The City's statement of net position includes both noncurrent assets and liabilities of the City, which were previously recorded in the General Fixed Assets Account Group and the General Long-Term Debt Account Group. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter. The government-wide statement of activities reflects depreciation expenses on the City's capital assets, including infrastructure.

In addition to the government-wide financial statements, the City has prepared governmental fund financial statements which continue to use the modified accrual basis of accounting and the current financial resources measurement focus. Accordingly, the accounting and financial reporting for the City's General Fund, the City's major governmental fund, is similar to that presented in the City's financial statements, although the format of the financial statements has been modified by GASB Statement No. 34.

Statement of Net Position - The statement of net position is designed to display the financial position of the primary government (government and business-type activities) and its discretely presented component units. Governments report all capital assets, including infrastructure, in the government-wide statement of net position and report depreciation expense - the cost of "using up" capital assets - in the Statement of Activities. The net position of a government will be broken down into three categories, 1) net investment in capital assets; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the government's functions. The expense of individual functions is compared to the revenues generated directly by the function (for instance, through user charges or intergovernmental grants).

Accounts receivable include fines and fees assessed by court action in the Municipal Court. An allowance for uncollectible accounts has been set up for the justice system-generated fines and fees based on a review of historical payment information. The allowance on the balance of $327,515 municipal court receivables was $196,509 at September 30, 2018.

There are no significant receivables, other than delinquent property taxes, which are not scheduled for collection within one year. Of the $79,456 outstanding at September 30, 2018, it is expected that the City will collect approximately $15,000 during the 2018-2019 fiscal year. This is similar to the delinquent taxes collected for the year ended September 30, 2018.

f. Interfund Activity

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

g. Net Position

Net position represents the difference between assets and deferred outflows of resources less liabilities and deferred inflows of resources. The City reports three categories of net position, as follows:

- Net investment in capital assets - consists of net capital assets reduced by outstanding balances of any related debt obligations and deferred inflows of resources attributable to the acquisition, construction, or improvement of those assets and increased by balances of deferred outflows of resources related to those assets.

- Restricted net position - net position is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations such as federal or state laws or buyers of the City's bonds. Restricted net position is restricted assets reduced by liabilities and deferred inflows of resources related to the restricted assets.

- Unrestricted net position - consists of all other net position that does not meet the definition of the above two components and is available for general use by the City.

When an expense is incurred for purposes for which both restricted and unrestricted net position are available, management applies unrestricted net position first, unless a determination is made to use restricted net position. The City's policy concerning which to apply first varies with the intended use and legal requirements. Management typically makes this decision on a transactional basis at the incurrence of the expenditure.

h. Pensions

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

revenue from the operation of the water system into the Revenue Fund. It is required to make monthly installments into the Interest and Sinking Fund in amounts necessary to make the next due principal and interest amounts. It is required to maintain a Reserve Fund in amounts specified by the agreements which is to be used only to make interest and principal payments when the amounts in the Interest and Sinking Fund are not adequate.

2. Restricted Assets:

Restricted assets in the Utility Enterprise Fund consist of cash and cash equivalents held for specific purposes in accordance with bond ordinances or other legal restrictions, and are comprised of the following:

Debt service	$ 546,778
Customer deposits	21,215
Total	$ 567,993

3. Investments:

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

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and, if so, the reporting of certain related disclosures:

a Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent, but not in the City's name. At year end, the City was not exposed to custodial credit risk.

c. Concentrations of Credit Risk

This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

At September 30, 2018, the component unit was not exposed to any of the above risks.

Depreciation was charged to functions as follows:

General Fund:	
General administrative	$ 12,665
Police department	38,994
Fire department	25,791
Street department	29,198
Library	3,389
Senior citizens center	7,186
Parks and recreation	6,423
Golf course	459
Swimming pool	480
Cemetery	3,132
Main Street	5,887
Total	$ 133,604

E. Interfund Balances and Activity

Transfers to and from other funds at September 30, 2018 consisted of the following:

Transfers From	Transfers To	Amount	Reason
Enterprise Fund	General Fund	$ 1,130,000	Fund operating deficits

F. Long-Term Liabilities

1. Long-Term Liabilities Activity

Long-term liabilities include debt and other long-term liabilities. Changes in long-term liabilities for the year ended September 30, 2018, are as follows:

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental activities:					
Compensated absences	$ 45,545	$ 7,039	$ -	$ 52,584	$ -
Capital lease payable	44,703	19,266	(36,394)	27,274	10,282
Note payable	172,538	-	(27,291)	145,247	28,328
Total	$ 262,786	$ 7,039	$ (44,720)	$ 225,105	$ 38,610
Business-type activities:					
Compensated absences	$ 3,277	$ 1,419	$ -	$ 4,696	$ -
Bonds payable	4,780,000	-	(335,000)	4,445,000	345,000
Total	$ 4,783,277	$ 1,419	$ (335,000)	$ 4,449,696	$ 345,000

4. Bonds Payable

A summary of changes in bonds payable for the year ended September 30, 2018, is as follows:

	Range of Interest Rates	Outstanding 10/1/2017	Issuances	Reductions	Outstanding 9/30/2018
2006 Combination Tax and Revenue Certificates of Obligation	4.25%	$ 2,625,000	$ -	$ 45,000	$ 2,580,000
2014A General Obligation Refunding Bond	2.19%	1,830,000	-	250,000	1,580,000
2014B Taxable General Obligation Refunding Bond	3.44%	325,000	-	40,000	285,000
Totals		$ 4,780,000	$ -	$ 335,000	$ 4,445,000

In 2007, the City issued Combination Tax and Revenue Certificates of Obligation, Series 2006 in the amount of $1,254,469 in addition to the $1,745,531 issued in 2006, totaling $3,000,000 for the purpose of constructing a waterline, pumps, and water storage tanks into the City to supply water needs to residents. The interest on these bonds is 4.25%. The final maturity date is February 1, 2046 and the certificates were callable on February 1, 2016. The annual series principal payments range from $30,000 to $155,000.

On October 14, 2014, the City issued $2,300,000 of General Obligation Refunding Bonds, Series 2014A and $445,000 of Taxable General Obligation Refunding Bonds, Series 2014B. The debt was issued to refund a portion of the City's outstanding debt to achieve a present value debt service savings. Net proceeds from the sale of the bonds totaled $2,693,929. The proceeds were placed with an escrow agent to provide for all future debt payments of the refunded bonds. This refunding resulted in a decrease in the City's debt service payments of $235,715, which resulted in an economic gain (difference between the present value of the debt service payments of the old debt and new debt) of $211,816.

The City's current year payments for debt service included $158,437 of interest.

There are a number of limitations and restrictions contained in the general obligation bond indentures. Management has indicated that the City is in compliance with all significant limitations and restrictions.

5. Note Payable

In March 2012, the City purchased a fire truck, which was financed with a note in the amount of $169,804. The note bears interest at the rate of 3.84% with fixed annual payments of $20,464. The final maturity date is in October 2020.

In May 2015, the City purchased a fire rescue truck, which was financed with a note in the amount of $110,000. The note bears interest at the rate of 3.74% with fixed annual payments of $13,368. The final maturity date is in September 2024.

G. Assigned Fund Balance

Fund balances are assigned for the following purposes at September 30, 2018:

Ambulance	$ 24,259
Fire truck	51,580
Police cars, cameras, and other equipment	31,437
Animal control	5,958
City vehicles and heavy equipment	48,847
Senior citizens center	6,748
Police forfeiture	151
Municipal court	369
Parks and recreation	6,198
Total	$ 175,547

Employees for the City of Electra were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City of Electra were 2% and 2.17% in calendar years 2017 and 2018, respectively. The city's contributions to TMRS for the year ended September 30, 2018, were $19,641, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2017, 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, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	2.4% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

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

Actuarial assumptions used in the December 31, 2017, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period from December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annuity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, 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. No additional changes were made for the 2014 valuation. After the Asset Allocation Study analysis and experience investigation study, the Board amended the long-term expected rate of return on pension plan investments from 7% to 6.75%. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). At its meeting on July 30, 2015, the TMRS Board approved a new portfolio target allocation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

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.*

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

For the year ended September 30, 2018, the city recognized pension expense of $36,443.

At September 30, 2018, the city reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ 5,364	$ -
Changes in actuarial assumptions	3,651	-
Difference between projected and actual investment earnings	-	(45,487)
Contributions subsequent to the measurement date	15,443	-
Total	$ 24,458	$ (45,487)

$15,443 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ending December 31	
2018	$ 10,236
2019	2,064
2020	(24,359)
2021	(24,412)
Total	$ (36,472)

I. Postemployment Benefits Other Than Pensions (OPEB)

1. Plan Description

The City of Electra participates in a cost sharing multiple-employer defined benefit group life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to participate in SBDF, and the City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. No assets are accumulated in a trust that meets the criteria in paragraph 4 of Statement 75.

2. Benefits Provided

The SBDF provides group-term life insurance coverage to both current and retired employees. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death); retired employees are insured for $7,500.

At the December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	14
Inactive employees entitled to but not yet receiving benefits	4
Active employees	27
Total	45

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 (2.31 percent) or 1-percentage-point higher (4.31% percent) than the current discount rate:

	1% Decrease In Discount Rate (2.31%)	Discount Rate (3.31%)	1% Increase In Discount Rate (4.31%)
City's total OPEB liability	$ 111,383	$ 94,959	$ 81,932

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

For the year ended September 30, 2018, the City recognized OPEB expense of $8,230.

At September 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in actuarial assumptions	$ 5,195	$ -
Contributions subsequent to the measurement date	1,779	-
Total	$ 6,974	$ -

$1,779 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ending December 31,	
2018	$ 1,264
2019	1,264
2020	1,264
2021	1,264
2022	139
Thereafter	-
Total	$ 5,195

J. <u>Risk Management</u>

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

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APPENDIX E

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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BAM

MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER] Policy No: _____

MEMBER: [NAME OF MEMBER]

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

Effective Date: _________

Risk Premium: $_________
Member Surplus Contribution: $_________
Total Insurance Payment: $_________

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: ____

Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:
claims@buildamerica.com
Address:
1 World Financial Center, 27th floor
200 Liberty Street
New York, New York 10281
Telecopy:
212-962-1524 (attention: Claims)

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Financial Advisory Services
Provided By

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A Hilltop Holdings Company.