

OFFICIAL STATEMENT

Dated June 15, 2020

Ratings:  
S&P: “AA-” (stable outlook)  
(See “OTHER INFORMATION  
– Ratings” herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under “TAX MATTERS” herein.

THE CERTIFICATES HAVE BEEN DESIGNATED AS “QUALIFIED TAX-EXEMPT OBLIGATIONS”  
FOR FINANCIAL INSTITUTIONS



\$4,635,000  
CITY OF WOLFFORTH, TEXAS  
(Lubbock County)  
TAX AND WATERWORKS AND SEWER SYSTEM  
REVENUE CERTIFICATES OF OBLIGATION, SERIES 2020

Dated Date: June 30, 2020, Interest Accrues from the Delivery Date (defined below) Due: February 15, as shown herein

**PAYMENT TERMS** . . . Interest on the \$4,635,000 City of Wolfforth, Texas, Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2020 (the “Certificates”) will accrue from the date of initial delivery and will be payable February 15 and August 15 of each year commencing February 15, 2021, until maturity or prior redemption, and will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof within a maturity. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see “THE CERTIFICATES – Book-Entry-Only System”). The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas (see “THE CERTIFICATES – Paying Agent/Registrar”).

**AUTHORITY FOR ISSUANCE** . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the “State”), particularly Subchapter C of Chapter 271, Texas Local Government Code (the “Certificate of Obligation Act of 1971”), as amended, and constitute direct obligations of the City of Wolfforth, Texas (the “City”), payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are additionally payable from a pledge of surplus revenues of the City’s waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City’s revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City’s waterworks and sewer system as provided in the ordinance authorizing the Certificates (see “THE CERTIFICATES - Authority for Issuance” and “THE CERTIFICATES - Security and Source of Payment”).

**PURPOSE** . . . Proceeds from the sale of the Certificates will be used for paying all or a portion of the City’s contractual obligations incurred in connection with: (i) improvements to the City’s wastewater system, and (ii) professional services rendered in relation to such projects and the financing thereof.

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CUSIP PREFIX: 977810  
SEE MATURITY SCHEDULE, 9 Digit CUSIP AND REDEMPTION PROVISIONS  
ON THE REVERSE OF THIS PAGE

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**LEGALITY** . . . The Certificates are offered for delivery when, as and if issued and received by the Underwriter and subject to the approving opinion of the Attorney General of Texas and the opinion of McCall, Parkhurst & Horton L.L.P., Bond Counsel, Dallas, Texas (see APPENDIX C, “Form of Bond Counsel’s Opinion”). Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas.

**DELIVERY** . . . It is expected that the Certificates will be available for delivery through DTC on or about July 14, 2020.

SAMCO CAPITAL

## MATURITY SCHEDULE

Maturity (February 15)	Principal Amount	Interest Rate	Initial Yield	CUSIP Suffix <sup>(1)</sup>
2021	\$ 155,000	4.000%	0.390%	HX1
2022	175,000	4.000%	0.450%	HY9
2023	180,000	4.000%	0.520%	HZ6
2024	190,000	4.000%	0.620%	JA9
2025	195,000	4.000%	0.750%	JB7
2026	205,000	4.000%	0.900%	JC5
2027	210,000	3.000%	1.050%	JD3
2028	220,000	3.000%	1.180%	JE1
2029	225,000	3.000%	1.260%	JF8
2030	230,000	3.000%	1.380% <sup>(2)</sup>	JG6
2031	240,000	3.000%	1.460% <sup>(2)</sup>	JH4
2032	245,000	3.000%	1.600% <sup>(2)</sup>	JJ0

\$505,000 2.000% Term Certificates due February 15, 2034 Priced to Yield 2.020% - CUSIP Suffix <sup>(1)</sup>: JL5

\$530,000 2.000% Term Certificates due February 15, 2036 Priced to Yield 2.110% - CUSIP Suffix <sup>(1)</sup>: JN1

\$555,000 2.000% Term Certificates due February 15, 2038 Priced to Yield 2.220% - CUSIP Suffix <sup>(1)</sup>: JQ4

\$575,000 2.250% Term Certificates due February 15, 2040 Priced to Yield 2.320% - CUSIP Suffix <sup>(1)</sup>: JS0

**(Interest Accrues from Date of Initial Delivery)**

(1) 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 any way as a substitute for the CUSIP Services. None of the City, the Underwriter or the Financial Advisor is responsible for the selection or correctness of the CUSIP numbers set forth herein.

(2) Yield shown is yield to first call date, February 15, 2029.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”).

**MANDATORY SINKING FUND REDEMPTION . . .** In addition, the Certificates maturing on February 15 in the years 2034, 2036, 2038 and 2040 are subject to mandatory sinking fund redemption, as further described herein (see “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).

No dealer, broker, salesman or other person has been authorized by the City to give any information, or to make any representations other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Financial Advisor.

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy Certificates in any jurisdiction in which, or to any person to whom, it is unlawful to make such offer or solicitation.

The information set forth or included in this Official Statement has been provided by the City or obtained from other sources believed by the City to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized. See "CONTINUING DISCLOSURE OF INFORMATION" for a description of the City's undertaking to provide certain information on a continuing basis.

The cover page contains certain information for general reference only and is not intended as a summary of this offering. Investors should read the entire Official Statement, including all appendices attached hereto, to obtain information essential to making an informed investment decision.

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

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

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

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The cover page hereof, this page, the appendices included herein and any addenda, supplement or amendment hereto, are part of the Official Statement.

**OFFICIAL STATEMENT SUMMARY**

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

- THE CITY**..... The City of Wolfforth is a political subdivision and municipal corporation of the State of Texas (the “State”), located in Lubbock County, Texas. The City covers approximately 2.8 square miles (see “INTRODUCTION - Description of City”).
  
- THE CERTIFICATES** ..... The Certificates are issued as \$4,635,000 Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2020. The Certificates are issued as serial certificates maturing on February 15 in each of the years 2021 through and including 2032, and in part as Term Certificates (defined below) maturing on February 15 in each of the years 2034, 2036, 2038 and 2040, in the principal amounts shown on page 2 hereof (see “THE CERTIFICATES - Description of the Certificates”).
  
- PAYMENT OF INTEREST** ..... Interest on the Certificates accrues from the date of initial delivery, and is payable February 15, 2021, and each August 15 and February 15 thereafter until maturity or prior redemption (see “THE CERTIFICATES - Description of the Certificates”).
  
- AUTHORITY FOR ISSUANCE** ..... The Certificates are issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the “Certificate of Obligation Act of 1971”), as amended, and an ordinance passed by the City Council of the City (the “Ordinance”) (see “THE CERTIFICATES - Authority for Issuance”).
  
- SECURITY FOR THE CERTIFICATES**..... The Certificates constitute direct obligations of the City, payable from a combination of (i) the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and (ii) a pledge of surplus revenues of the City's Waterworks and Sewer System (see “THE CERTIFICATES - Security and Source of Payment”).
  
- QUALIFIED TAX-EXEMPT OBLIGATIONS**..... The City has designated the Certificates as “Qualified Tax-Exempt Obligations” for financial institutions (see “TAX MATTERS - Qualified Tax-Exempt Obligations for Financial Institutions”).
  
- REDEMPTION** ..... The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see “THE CERTIFICATES - Optional Redemption”). ”). In addition, the Certificates maturing on February 15 in the years 2034, 2036, 2038 and 2040 are subject to mandatory sinking fund redemption, as further described herein (see “THE CERTIFICATES – Mandatory Sinking Fund Redemption”).
  
- TAX EXEMPTION**..... In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under existing law on the date thereof, subject to the matters described under the caption “TAX MATTERS” herein.
  
- USE OF PROCEEDS** ..... Proceeds from the sale of the Certificates will be used for paying all or a portion of the City’s contractual obligations incurred in connection with: (i) improvements to the City’s wastewater system, and (ii) professional services rendered in relation to such projects and the financing thereof.
  
- RATINGS** ..... The Certificates have been assigned an unenhanced underlying rating of “AA-” (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement (see “OTHER INFORMATION – Ratings”).

**BOOK-ENTRY-ONLY**

**SYSTEM** ..... The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of DTC pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES – Book-Entry-Only System").

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

**SELECTED FINANCIAL INFORMATION**

Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Assessed Valuation Per Capita	Tax Debt Outstanding at End of Year <sup>(3)</sup>	G.O. Tax Debt to Taxable Assessed Valuation	Tax Debt Per Capita	% of Total Tax Collections
2016	4,417	\$ 260,347,057	\$ 58,942	\$ 13,356,000	5.13%	\$ 3,024	101.98%
2017	4,500	283,654,519	63,034	14,831,000	5.23%	3,296	101.30%
2018	4,622	309,949,749	67,060	13,684,000	4.41%	2,961	99.65%
2019	4,622	354,743,951	76,751	12,497,000	3.52%	2,704	98.46%
2020	4,622	390,321,196	84,449	17,334,000 <sup>(4)</sup>	4.44%	3,750	96.24% <sup>(5)</sup>

- (1) Sources: Estimates by City staff.
- (2) As reported by the Lubbock Central Appraisal District on the City's annual State Property Tax Board Reports; subject to change during the ensuing year.
- (3) Includes self-supporting debt.
- (4) Includes the Certificates.
- (5) Partial Collections through February 29, 2020.

**GENERAL FUND CONSOLIDATED STATEMENT SUMMARY**

	Fiscal Year Ended September 30				
	2019	2018	2017	2016	2015
Fund Balance at Beginning of Year	\$ 1,149,562 <sup>(1)</sup>	\$ 1,824,856	\$ 1,244,740	\$ 1,064,542	\$ 1,117,195
Total Revenues	3,480,472	3,022,320	2,835,638	2,836,560	2,484,687
Total Expenditures	4,464,534	3,585,009	2,763,008	2,881,911	2,288,025
Total Other Financing Sources (Uses)	751,524	284,972	507,486	225,549	(249,314)
Fund Balance at End of Year	\$ 917,024	\$ 1,547,139	\$ 1,824,856	\$ 1,244,740	\$ 1,064,542

- (1) Restated.

For additional information regarding the City, please contact:

Mr. Darrell Newsom City Manager City of Wolforth 302 Main Street Wolforth, Texas 79382 Phone: (806) 855-4120	or	Mr. Vince Viaille Managing Director Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 Phone: (214) 373-3911
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**CITY OFFICIALS, STAFF AND CONSULTANTS**

**ELECTED OFFICIALS**

<u>City Council</u>	<u>Length of Service</u>	<u>Term Expires</u>	<u>Occupation</u>
Charles Addington, D.O. Mayor	8 Years	May, 2020	Physician
Julie Merrill Councilmember	8 Years	May, 2020	Homemaker
Mike Bickle Councilmember	3 Years	May, 2020	Sales
Randy Gross <sup>(1)</sup> Councilmember	13 Years	May, 2021	Self-Employed
Rod Moore Councilmember	1 Year	May, 2021	Retired
Chris Powers Councilmember	1 Year	May, 2021	Self-Employed

(1) Served as Councilmember from 2001-2005.

**SELECTED ADMINISTRATIVE STAFF**

<u>Name</u>	<u>Position</u>	<u>Time in Current Position</u>	<u>Years in City Government</u>
Darrell Newsom	City Manager	10 Years	11 Years
Lauren Murphey	City Secretary	7 Months	1 Year
Michael Guevara	City Attorney	9 Years	19 Years

**CONSULTANTS AND ADVISORS**

Auditors ..... Carr Riggs & Ingram, LLC  
Lubbock, Texas

Bond Counsel ..... McCall, Parkhurst & Horton L.L.P.  
Dallas, Texas

Financial Advisor.....Specialized Public Finance Inc.  
Dallas, Texas

**OFFICIAL STATEMENT**

**RELATING TO**

**\$4,635,000  
CITY OF WOLFFORTH, TEXAS  
(Lubbock County)  
TAX AND WATERWORKS AND SEWER SYSTEM REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2020**

**INTRODUCTION**

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance of \$4,635,000 City of Wolfforth, Texas, Tax and Waterworks and Sewer System Revenue Certificates of Obligation, Series 2020 (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance adopted on the date of sale of the Certificates which authorized the issuance of the Certificates (the "Ordinance"), except as otherwise indicated herein.

There follows in this Official Statement descriptions of the Certificates and certain information regarding the City and its finances. All descriptions of documents contained herein are only summaries and are qualified in their entirety by reference to each such document. Copies of such documents may be obtained from the City's Financial Advisor, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

**DESCRIPTION OF THE CITY . . .** The City is a political subdivision and municipal corporation of the State of Texas (the "State"), duly organized and existing under the laws of the State. The City was incorporated in 1950. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and five Councilmembers. The term of office is two years with the terms of the Mayor and two of the Councilmembers' terms expiring in even-numbered years and the other terms of the three Councilmembers expiring in odd-numbered years. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, sanitation services, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 3,670. The City covers approximately 2.8 square miles.

**THE CERTIFICATES**

**DESCRIPTION OF THE CERTIFICATES . . .** The Certificates are dated June 30, 2020, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest will accrue from the date of initial delivery, will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing February 15, 2021, until maturity or prior redemption. The Certificates will be issued only in fully registered form in any integral multiple of \$5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC"), pursuant to the Book-Entry-Only System described herein. No physical delivery of the Certificates will be made to the beneficial owners thereof. Principal of and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates (see "THE CERTIFICATES - Book-Entry-Only System").

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

**AUTHORITY FOR ISSUANCE . . .** The Certificates are being issued pursuant to the Constitution and general laws of the State, particularly Subchapter C of Chapter 271, Texas Local Government Code (the "Certificate of Obligation Act of 1971"), as amended, and the Ordinance.

**SECURITY AND SOURCE OF PAYMENT . . .** The Certificates are payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property within the City, and are additionally payable from a pledge of surplus revenues of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations

(now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

**TAX RATE LIMITATION . . .** All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

**OPTIONAL REDEMPTION . . .** The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030 in whole or in part in principal amounts of \$5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Bond (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Bond (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

**MANDATORY SINKING FUND REDEMPTION . . .** The Certificates maturing on February 15 in the years 2034, 2036, 2038 and 2040 (the "Term Certificates") are subject to mandatory sinking fund redemption in part prior to maturity on the dates and in the amounts as follows:

Term Bonds Maturing February 15, 2034		Term Bonds Maturing February 15, 2036	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2033	\$ 250,000	February 15, 2035	\$ 260,000
February 15, 2034 *	255,000	February 15, 2036 *	270,000

Term Bonds Maturing February 15, 2038		Term Bonds Maturing February 15, 2040	
Redemption Date	Principal Amount	Redemption Date	Principal Amount
February 15, 2037	\$ 275,000	February 15, 2039	\$ 285,000
February 15, 2038 *	280,000	February 15, 2040 *	290,000

\* Stated Maturity.

The particular Term Certificates to be redeemed shall be chosen by the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) at random by lot or other customary method; provided, however, that the principal amount of the Term Certificates of a stated maturity required to be redeemed pursuant to the operation of the mandatory redemption provisions shall be reduced, at the option of the City, by the principal amount of said Term Certificates of like maturity which, at least 45 days prior to mandatory redemption date, (1) shall have been acquired by the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase thereof, and delivered to the Paying Agent/Registrar for cancellation, (2) shall have been purchased and canceled by the Paying Agent/Registrar at the request of the City at a price not exceeding the principal amount of such Term Certificates plus accrued interest to the date of purchase, or (3) shall have been redeemed pursuant to the optional redemption provisions and not theretofore credited against a mandatory redemption requirement.

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

With respect to any optional redemption of the Certificates, unless moneys sufficient to pay the principal of and premium, if any, and interest on the Certificates to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice may state that said redemption is conditional upon the receipt of such moneys by the Paying Agent/Registrar



on or prior to the date fixed for such redemption, or upon the satisfaction of any prerequisites set forth in such notice of redemption; and, if sufficient moneys are not received, such notice shall be of no force and effect, the City shall not redeem such Certificates and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Certificates have not been redeemed.

**DEFEASANCE . . .** The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will insure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all Defeased Certificates shall have become due and payable, and 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 Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that “Defeasance Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (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, on the date the defeasance is approved by the City Council of the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date the defeasance is approved by the City Council of the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has 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.

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

Upon defeasance, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, that the right to call the Certificates for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

Upon making such deposit in the manner described, such defeased Certificates shall no longer be deemed outstanding obligations secured by the Ordinance, but will be payable only from the funds and Defeasance Securities deposited in escrow and will not be considered debt of the City for purposes of taxation or applying any limitation on the City’s ability to issue debt or for any other purpose.

**BOOK-ENTRY-ONLY SYSTEM . . .** This section describes how ownership of the Certificates is to be transferred and how the principal of, and interest on the Certificates are to be paid to and credited by The Depository Trust Company (“DTC”), New York, New York, while the Certificates are registered in its nominee’s 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 and Financial Advisor believe the source of such information to be reliable, but take no responsibility for the accuracy or completeness thereof.

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

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

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

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

Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct or Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

To facilitate subsequent transfers, all Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Certificates with DTC and their registration in the name of Cede & Co., or such other DTC nominee, do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such Certificates are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Certificates, such as redemptions, tenders, defaults, and proposed amendments to the Certificate documents. For example, Beneficial Owners of Certificates may wish to ascertain that the nominee holding the Certificates for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent/Registrar and request that copies of notices be provided directly to them.

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

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

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

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor securities depository is not obtained, Certificates are required to be printed and delivered. The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Certificates will be printed and delivered in accordance with the Ordinance. In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

**USE OF CERTAIN TERMS IN OTHER SECTIONS OF THIS OFFICIAL STATEMENT . . .** In reading this Official Statement it should be understood that while the Certificates are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Certificates, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

**PAYING AGENT/REGISTRAR . . .** The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the City retains the right to replace the Paying Agent/Registrar. The City covenants to maintain and provide a Paying Agent/Registrar at all times until the Certificates are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State of Texas or other entity duly qualified and legally authorized to serve as and perform the duties and services of Paying Agent/Registrar for the Certificates. Upon any change in the Paying Agent/Registrar for the Certificates, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Certificates by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

**TRANSFER, EXCHANGE AND REGISTRATION . . .** In the event the Book-Entry-Only System should be discontinued with respect to the Certificates, printed Certificates will be delivered to the owners thereof, and thereafter the Certificates may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer.

Certificates may be assigned by the execution of an assignment form on the Certificates or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Certificates will be delivered by the Paying Agent/Registrar, in lieu of the Certificates being transferred or exchanged, at the designated office of the Paying Agent/Registrar, or sent by United States mail, first class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Certificates issued in an exchange or transfer of Certificates will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Certificates to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like aggregate principal amount as the Certificates surrendered for exchange or transfer. See "THE CERTIFICATES - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Certificates. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Certificate called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation on transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Certificate.

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

**CERTIFICATEHOLDERS' REMEDIES . . .** The Ordinance does not specify events of default with respect to the Certificates. If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates if there is no other available remedy at law to compel performance of the Certificates or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles and rests with the discretion of the court, but may not be arbitrarily refused. There is no acceleration of maturity of the Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other

condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in “clear and unambiguous” language. Because it is unclear whether the Texas legislature has effectively waived the City’s sovereign immunity from a suit for money damages, in the absence of City action, Certificateholders may not be able to bring such a suit against the City for breach of the Certificates or Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City’s property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Certificates. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code (“Chapter 9”). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or Certificateholders 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 Certificates are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

**AMENDMENTS TO THE ORDINANCE . . .** In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any owners for the purpose of amending or supplementing such Ordinance to (1) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the owners, (2) grant additional rights or security for the benefit of the owners, (3) add events of default as shall not be inconsistent with the provisions of the Ordinance that do not materially adversely affect the interests of the owners, (4) qualify the Ordinance under the Trust Indenture Act of 1939, as amended, or corresponding provisions of federal laws from time to time in effect, or (5) make such other provisions in regard to matters or questions arising under the Ordinance that are not inconsistent with the provisions thereof and which, in the opinion of Bond Counsel for the City, do not materially adversely affect the interest of the owners.

The Ordinance further provides that the owners of the respective Certificates aggregating in principal amount 51% of the outstanding Certificates shall have the right from time to time to approve any amendment not described above to the Ordinance if it is deemed necessary or desirable by the City; provided, however, that without the consent of 100% of the owners in original principal amount of the then outstanding Certificates no amendment may be made of the purpose of: (1) making any change in the maturity of any of the outstanding Certificates; (2) reducing the rate of interest borne by any of the outstanding Certificates; (3) reducing the amount of the principal of, or redemption premium, if any, payable on any outstanding Certificates; (4) modifying the terms of payment of principal or of interest or redemption premium on outstanding Certificates, or imposing any condition with respect to such payment; or (5) changing the minimum percentage of principal amount of the Certificates necessary for consent to such amendment. Reference is made to the Ordinance for further provisions relating to the amendment thereof.

**SOURCES AND USES OF PROCEEDS . . .** The proceeds from the sale of the Certificates will be applied approximately as follows:

<b>SOURCES OF FUNDS:</b>	<u>The Certificates</u>
Par Amount	\$ 4,635,000.00
Net Reoffering Premium	255,934.30
Total Sources of Funds	<u>\$ 4,890,934.30</u>
<b>USES OF FUNDS:</b>	
Deposit to Project Construction Fund	\$ 4,766,100.00
Underwriter's Discount	36,789.51
Costs of Issuance	87,500.00
Deposit to Interest and Sinking Fund	544.79
Total Uses of Funds	<u>\$ 4,890,934.30</u>

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## TAX INFORMATION

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

**VALUATION OF TAXABLE PROPERTY . . .** The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board ("Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Lubbock Central 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.

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.

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

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

**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.

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

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

**FREEPORT 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.

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

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

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

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION – City Application of Property Tax Code" 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 4, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to \$1.50 per \$100 Taxable Assessed Valuation for all City purposes. Administratively, the Attorney General of the State of Texas will permit allocation of \$1.00 of the \$1.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance and based on a 90% collection rate.

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

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

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

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

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

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

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

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

A city must annually calculate its "voter-approval tax rate" and "no-new-revenue tax rate" (as such terms are defined above) in accordance with forms prescribed by the State Comptroller and provide notice of such rates to each owner of taxable property within the city and the county tax assessor-collector for each county in which all or part of the city is located. A city must adopt a

tax rate before the later of September 30 or the 60th day after receipt of the certified appraisal roll, except that a tax rate that exceeds the voter-approval tax rate must be adopted not later than the 71st day before the next occurring November uniform election date. If a city fails to timely adopt a tax rate, the tax rate is statutorily set as the lower of the no-new-revenue tax rate for the current tax year or the tax rate adopted by the city for the preceding tax year.

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

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

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

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

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

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

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

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

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

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

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

**PROPERTY ASSESSMENT AND TAX PAYMENT . . .** Property within the City is generally assessed as of January 1 of each year. Business inventory may, at the option of the taxpayer, be assessed as of September 1. Oil and gas reserves are assessed on the basis of a valuation process which uses pricing information contained in either the standard edition of the Annual Energy Outlook published by the United States Energy Information Administration or, if the most recently published edition of the Annual Energy Outlook was published before December 1 of the preceding calendar year, the Short-Term Energy Outlook report published in January of the current calendar year. Taxes become due October 1 of the same year, and become delinquent on February 1 of the following year. Taxpayers 65 years old or older are permitted by State law to pay taxes on homesteads in four installments with the first due on February 1 of each year and the final installment due on August 1.

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

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

After July, penalty remains at 12%, and interest accrues at a rate of one percent (1%) for each month or portion of a month the tax remains unpaid. A delinquent tax continues to accrue interest as long as the tax remains unpaid, regardless of whether a judgment for the delinquent tax has been rendered. The purpose of imposing such interest penalty is to compensate the taxing unit for revenue lost because of the delinquency. In addition, if an account is delinquent in July, an attorney’s collection fee of up to 20% may be added to the total tax penalty and interest charge. A taxpayer who is 65 years of age or older or is disabled may defer the collection of delinquent property taxes on his or her residence homestead and prevent the filing of a lawsuit to collect delinquent taxes until the 181st day after the taxpayer no longer owns and occupies the property as a residence homestead. However, taxes and interest continue to accrue against the property, and the delinquent taxes incur a penalty of 8% per annum with no additional penalties or interest assessed. The lien securing such taxes and interest remains in existence during the deferral or abatement period. In general, property subject to the City’s lien may be sold, in whole or in parcels, pursuant to court order to collect the amounts due. Federal law does not allow for the collection of penalty and interest against an estate in bankruptcy. Federal bankruptcy law provides that an automatic stay of action by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

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

**CITY APPLICATION OF TAX CODE . . .** The City does not grant an exemption to the market value of the residence homestead of persons 65 years of age or older and does not grant an exemption to the market value of the residence homestead of the disabled.

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

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

The City does not tax nonbusiness personal property; and Lubbock Central Appraisal District collects taxes for the City.

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

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

The City does not tax freeport property.

The City does not collect an additional one-half cent sales tax for reduction of ad valorem taxes.

The City has established a formal tax abatement policy.



**TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT**

2019/2020 Market Valuation Established by the Lubbock Central Appraisal District (excluding exempt property)		\$ 400,673,061
Less Exemptions/Reductions at 100% Market Value:		
Veterans Exemptions	\$ 5,186,958	
Homestead Cap	3,833,589	
Productivity Loss	1,299,580	
Miscellaneous	<u>31,738</u>	
2019/2020 Net Taxable Assessed Valuation		<u>\$ 390,321,196</u>
City Funded Debt Payable from Ad Valorem Taxes (as of 3/30/20)		
General Obligation Debt	\$ 12,699,000	
The Certificates	<u>4,635,000</u>	
Debt Payable from Ad Valorem Taxes		\$ 17,334,000
Less Self-Supporting Debt:		<u>10,990,000</u> <sup>(1)</sup>
Water and Sewer System General Obligation Debt		\$ 6,344,000
General Purpose Funded Debt Payable from Ad Valorem Taxes		<u>\$ 6,344,000</u>
General Obligation Interest and Sinking Fund (as of 2/28/20)		\$ 584,359
Ratio General Obligation Debt to Taxable Assessed Valuation		1.63%

2019 Estimated Population - 4,622  
Per Capita Taxable Assessed Valuation - \$84,449  
Per Capita Net Funded Debt - \$1,308

(1) General obligation debt in the amounts shown for which repayment is provided from revenues of the respective revenue systems. The amount of self-supporting debt is based on the percentages of revenue support as shown in Table 10. It is the City's current policy to provide these payments from respective system revenues; this policy is subject to change in the future.

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**TABLE 2 - TAXABLE ASSESSED VALUATION**

Fiscal Year Ended 9/30	Estimated Population <sup>(1)</sup>	Taxable Assessed Valuation <sup>(2)</sup>	Taxable Assessed Valuation Per Capita	Net G.O. Tax Debt Outstanding at End of Year <sup>(3)</sup>	Ratio of General Purpose G.O. Tax Debt to Taxable Assessed Valuation	General Purpose G.O. Tax Debt Per Capita
2016	4,417	\$ 260,347,057	\$ 58,942	\$ 13,356,000	5.13%	\$ 3,024
2017	4,500	283,654,519	63,034	14,831,000	5.23%	3,296
2018	4,622	309,949,749	67,060	13,684,000	4.41%	2,961
2019	4,622	354,743,951	76,751	12,497,000	3.52%	2,704
2020	4,622	390,321,196	84,449	17,334,000 <sup>(4)</sup>	4.44%	3,750

(1) Source: Estimates by City staff.

(2) As reported by the Lubbock Central Appraisal District on the City's annual State Property Tax Board Report; subject to change during the ensuing year.

(3) Include self-supporting debt.

(4) Includes the Certificates.

**TABLE 3 - TAX RATE, LEVY AND COLLECTION HISTORY**

Fiscal Year Ended 9/30	Tax Rate	Distribution		Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
		General Fund	Interest and Sinking Fund			
2016	\$ 0.7773	\$ 0.5246	\$ 0.2527	\$ 1,960,238	98.49%	101.98%
2017	0.7773	0.4933	0.2840	1,973,536	97.83%	101.30%
2018	0.7618	0.5085	0.2533	2,292,477	99.20%	99.65%
2019	0.7618	0.5233	0.2385	2,610,232	98.78%	99.06%
2020	0.7618	0.5660	0.1958	2,973,572	96.45% <sup>(1)</sup>	96.24% <sup>(1)</sup>

(1) Partial Collections through February 29, 2020.

**TABLE 4 - TEN LARGEST TAXPAYERS**

Name of Taxpayer	2019/2020 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Treze Alcove LLC	\$ 7,338,325	1.88%
Omaha Ranch LLC Fluegel & Co LLC	6,926,391	1.77%
Wolfforth Land Company LLC	4,815,580	1.23%
Presidential Hotel LTD	4,568,499	1.17%
OPG Preston Trails Partners LLC	3,580,536	0.92%
United Supermarkets LLC	2,604,223	0.67%
American Bank of Commerce	2,547,002	0.65%
Pearson Robert Construction LLC	2,117,984	0.54%
SCP Distributors LLC	1,990,002	0.51%
Wolfforth I Enterprises LLC	1,764,420	0.45%
	<u>\$ 38,252,962</u>	<u>9.80%</u>

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

**TABLE 5 - TAX ADEQUACY <sup>(1)</sup>**

Maximum Annual Principal and Interest Requirements, 2022	\$ 966,958
\$0.2608 Tax Rate at 95% Collection Produces	\$ 967,060

(1) Does not include self-supporting debt; this calculation of tax adequacy is for demonstration purposes only.

**TABLE 6 - ESTIMATED OVERLAPPING DEBT**

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

Taxing Jurisdiction	Total Funded Debt	Estimated %	City's Overlapping Funded Debt
	As of 5/31/20	Applicable	As of 5/31/20
City of Wolfforth	\$ 6,344,000 <sup>(1)</sup>	100.00%	\$ 6,344,000 <sup>(1)</sup>
Lubbock County	25,480,000	1.67%	425,516
Frenship ISD	211,946,848	8.13%	17,231,279
Total Direct and Overlapping G.O. Debt			\$ 24,000,795
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			6.15%
Per Capita Overlapping G.O. Debt			\$ 5,193

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

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**DEBT INFORMATION**

**TABLE 7 - PRO-FORMA GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

Fiscal Year Ended 9/30	Outstanding Debt <sup>(1)</sup>			The Certificates			Total Debt Service Requirements	Less: Self-Supporting Debt	Net Debt Service Requirements
	Principal	Interest	Total	Principal	Interest	Total			
2020	\$ 1,153,000	\$ 309,945	\$ 1,462,945	\$ -	\$ -	\$ -	\$ 1,462,945	\$ 683,330	\$ 779,614
2021	1,245,000	389,591	1,634,591	155,000	137,918	292,918	1,927,509	970,682	956,827
2022	1,318,000	325,072	1,643,072	175,000	120,138	295,138	1,938,209	971,252	966,958
2023	1,286,000	290,368	1,576,368	180,000	113,038	293,038	1,869,405	977,493	891,913
2024	1,160,000	255,738	1,415,738	190,000	105,638	295,638	1,711,375	814,888	896,488
2025	970,000	223,825	1,193,825	195,000	97,938	292,938	1,486,763	808,513	678,250
2026	955,000	193,525	1,148,525	205,000	89,938	294,938	1,443,463	815,438	628,025
2027	985,000	162,450	1,147,450	210,000	82,688	292,688	1,440,138	812,463	627,675
2028	770,000	135,256	905,256	220,000	76,238	296,238	1,201,494	814,138	387,356
2029	790,000	111,775	901,775	225,000	69,563	294,563	1,196,338	814,338	382,000
2030	820,000	87,150	907,150	230,000	62,738	292,738	1,199,888	809,013	390,875
2031	850,000	61,575	911,575	240,000	55,688	295,688	1,207,263	813,088	394,175
2032	690,000	37,175	727,175	245,000	48,413	293,413	1,020,588	811,488	209,100
2033	500,000	18,300	518,300	250,000	42,238	292,238	810,538	810,538	-
2034	85,000	9,525	94,525	255,000	37,188	292,188	386,713	386,713	-
2035	90,000	6,900	96,900	260,000	32,038	292,038	388,938	388,938	-
2036	90,000	4,200	94,200	270,000	26,738	296,738	390,938	390,938	-
2037	95,000	1,425	96,425	275,000	21,288	296,288	392,713	392,713	-
2038	-	-	-	280,000	15,738	295,738	295,738	295,738	-
2039	-	-	-	285,000	9,731	294,731	294,731	294,731	-
2040	-	-	-	290,000	3,263	293,263	293,263	293,263	-
	<u>\$ 13,852,000</u>	<u>\$ 2,623,793</u>	<u>\$ 16,475,793</u>	<u>\$ 4,635,000</u>	<u>\$ 1,248,149</u>	<u>\$ 5,883,149</u>	<u>\$ 22,358,943</u>	<u>\$ 14,169,688</u>	<u>\$ 8,189,255</u>

(1) "Outstanding Debt" does not include lease/purchase obligations.

**TABLE 8 - INTEREST AND SINKING FUND BUDGET PROJECTION**

Tax Supported Debt Service Requirements, Fiscal Year Ending 9/30/20		\$ 1,462,945
Interest & Sinking Fund Balance, Fiscal Year Ending 9/30/19	\$ 584,360	
Less: Self-supported debt	683,330	
2019 Interest & Sinking Fund Tax Levy @ 95% collections	726,036	<u>\$ 1,993,727</u>
Estimated Balance, Fiscal Year Ending 9/30/20		<u>\$ 530,782</u>

**TABLE 9 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS**

The City does not have any authorized but unissued general obligation bonds or other obligations.

**ANTICIPATED ISSUANCE OF ADDITIONAL GENERAL OBLIGATION DEBT . . .** The City does not anticipate the issuance of additional general obligation debt within the next twelve months or the foreseeable future.

**OTHER OBLIGATIONS**

Other Obligations: See Note 7 in Annual Financial Statements for Fiscal Year End 9/30/19.

**TABLE 10 - COMPUTATION OF SELF-SUPPORTING DEBT**

Net System Revenue Available as of 9/30/19	\$ 869,207
Less: Requirements for Revenue Bonds	-
Balance Available for Other Purposes	<u>\$ 869,207</u>
Requirements for System Tax Bonds	\$ 683,330
Percentage of System General Obligation Bonds Self-Supporting	100.00%

**PENSION FUND . . .** The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmrs.com](http://www.tmrs.com).

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

For more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 9.

**OTHER POST-EMPLOYMENT BENEFITS . . .** The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

For more detailed information concerning the retirement plan, see APPENDIX B, “Excerpts from the City’s Annual Financial Report” – Note 10.

## FINANCIAL INFORMATION

**TABLE 11 - CHANGE IN NET ASSETS**

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
<b>REVENUES</b>					
Program Revenues:					
Charges for Services	\$ 171,119	\$ 272,805	\$ 424,709	\$ 469,547	\$ 341,070
Operating Grants and Contributions	83,466	106,932	85,465	110,818	91,932
Capital Grants and Contributions	-	29,211	239,123	33,358	100,487
General Revenues:					
Property Taxes	2,620,642	2,219,823	2,041,698	1,993,998	1,698,305
Sales Tax	694,688	605,246	460,106	427,882	316,975
Franchise Fees	256,543	263,276	247,154	231,950	241,485
Interest Income	29,181	28,250	18,908	19,562	12,035
Transfers	(287,104)	(281,699)	(354,365)	(105,266)	(350,243)
Donated Assets	-	-	-	-	-
Other	472,975	183,582	171,718	172,122	248,027
<b>Total Revenues</b>	<b>4,041,510</b>	<b>3,427,425</b>	<b>3,334,516</b>	<b>3,353,971</b>	<b>2,700,073</b>
<b>EXPENDITURES</b>					
City Government	\$ 1,112,913	\$ 38,060	\$ 67,937	\$ 62,483	\$ 34,541
Municipal Court	-	104,322	56,734	57,880	61,978
Financial Administration	-	425,120	410,196	429,029	435,503
Building and Grounds	-	323,724	295,350	267,527	208,108
Code Enforcement	-	7,398	6,981	2,661	7,284
Public Safety-Police Department	1,438,437	1,060,804	1,037,753	940,800	964,383
Public Safety-Fire Department and EMS	-	704,658	698,342	661,405	522,950
Miscellaneous Public Service	-	1,546	9,541	7,550	21,224
Health and Welfare	826,322	55,681	33,987	48,029	45,316
Public Works-Street Department	285,421	236,955	188,557	135,429	118,841
Park	337,173	66,341	57,594	54,566	35,895
Library	-	190,939	193,043	164,553	156,405
Interest and other charges	74,043	81,996	76,155	80,883	88,781
<b>Total Expenditures</b>	<b>\$ 4,074,309</b>	<b>\$ 3,297,544</b>	<b>\$ 3,132,169</b>	<b>\$ 2,912,794</b>	<b>\$ 2,701,210</b>
Increase (Decrease) in Net Assets	\$ (32,799)	\$ 129,881	\$ 202,347	\$ 441,177	\$ (1,137)
Net Position, October 1,	\$ 4,316,392 <sup>(1)</sup>	\$ 4,026,299	\$ 3,823,953	\$ 3,382,776	\$ 3,626,838
Prior period adjustment	-	(25,169)	-	-	(242,925)
Net Position, September 30,	\$ 4,283,593	\$ 4,131,012	\$ 4,026,299	\$ 3,823,953	\$ 3,382,776

Source: City's audited financial statements.

(1) Restated.

**TABLE 11-A - GENERAL FUND REVENUES AND EXPENDITURE HISTORY**

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
<b>REVENUES</b>					
Property taxes	\$ 1,785,661	\$ 1,525,050	\$ 1,354,566	\$ 1,351,221	\$ 1,146,104
Penalties and interest	-	7,671	9,709	25,039	7,856
Sales tax	694,688	605,246	460,106	427,882	316,975
Fire department	302,982	80,380	79,438	66,567	65,612
Permits and licenses	151,523	103,904	140,737	181,856	81,911
Municipal court revenue	-	103,319	71,844	96,287	106,887
Franchise fees	256,543	263,276	247,154	231,950	241,485
EMS revenue	-	158,150	193,583	210,874	183,472
EMS subsidy	-	19,875	85,465	87,825	83,235
Library revenue	-	11,633	10,923	11,328	11,399
Park revenue	-	10,050	10,951	10,250	10,075
Interest Revenue	17,544	22,935	14,726	17,037	9,046
Grant proceeds	83,466	29,211	34,123	47,089	100,487
Miscellaneous revenue	188,065	81,619	122,313	71,355	120,142
<b>Total Revenues</b>	<b>\$ 3,480,472</b>	<b>\$ 3,022,320</b>	<b>\$ 2,835,638</b>	<b>\$ 2,836,560</b>	<b>\$ 2,484,687</b>
<b>EXPENDITURES</b>					
City Government	\$ 971,597	\$ 38,060	\$ 67,937	\$ 62,483	\$ 34,541
Municipal Court	-	104,322	56,734	57,880	61,978
Financial administration	-	411,449	393,391	411,419	366,449
Building and grounds	-	212,987	184,299	157,031	97,819
Code enforcement	-	7,398	6,981	2,661	7,284
Public Safety-Police Department	1,061,241	933,327	901,304	828,801	765,395
Public Safety-Fire and EMS	-	621,842	590,595	537,003	414,013
Miscellaneous public service	-	987	9,541	7,550	21,224
Emergency management	-	40,424	26,083	40,593	37,091
Public Works	105,297	73,024	46,546	13,324	11,280
Park	307,527	66,341	57,594	54,566	35,895
Library	-	169,503	172,730	146,074	133,713
Health and welfare	865,505	-	-	-	-
Capital Outlay	1,153,367	905,345	249,273	562,527	301,342
Debt Service Interest	-	-	-	-	-
<b>Total Expenditures</b>	<b>\$ 4,464,534</b>	<b>\$ 3,585,009</b>	<b>\$ 2,763,008</b>	<b>\$ 2,881,911</b>	<b>\$ 2,288,025</b>
Excess (Deficiency) of Revenues over Expenditures	\$ (984,062)	\$ (562,689)	\$ 72,630	\$ (45,351)	\$ 196,662
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Sale of Assets	\$ 750,000	\$ 7,349	\$ -	\$ -	\$ -
Non-Current Loan Proceeds	-	211,840	-	927,165	-
Payments on long-term debt	-	-	680,762	(541,950)	(5,598)
Other financing sources (uses)	1,524	(71,494)	(106,153)	-	-
Operating Transfers in	-	182,798	-	-	-
Operating Transfers Out	\$ -	\$ (45,522)	\$ (67,124)	\$ (159,666)	\$ (243,716)
<b>Total Other Financing Sources (Uses)</b>	<b>\$ 751,524</b>	<b>\$ 284,972</b>	<b>\$ 507,486</b>	<b>\$ 225,549</b>	<b>\$ (249,314)</b>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	\$ (232,538)	\$ (277,717)	\$ 580,116	\$ 180,198	\$ (52,653)
Fund Balance at Beginning of Year	\$ 1,149,562	<sup>(1)</sup> \$ 1,824,856	\$ 1,244,740	\$ 1,064,542	\$ 1,117,195
Adjustments	-	-	-	-	-
Fund Balance at End of Year	\$ 917,024	\$ 1,547,139	\$ 1,824,856	\$ 1,244,740	\$ 1,064,542

Source: City's audited financial statements.

(1) Restated.

**TABLE 12 - MUNICIPAL SALES TAX HISTORY <sup>(1)</sup>**

The City has adopted the Municipal Sales and Use Tax Act, V.T.C.A., Tax Code, Chapter 321, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly.

Year Ended 9/30	Total Collected <sup>(1)</sup>	% of Ad Valorem Tax Levy	of Ad Valorem Tax Rate	Per Capita
2016	\$ 427,882	21.83%	\$ 0.1644	\$ 97
2017	460,106	23.31%	0.1622	102
2018	605,246	26.40%	0.1953	131
2019	694,688	26.99%	0.1958	150
2020	314,138 <sup>(2)</sup>	10.56%	0.0805	68

(1) Excludes additional one-half percent (1/2%) sales and use tax for economic development.

(2) Collections through March 31, 2020.

### **INFECTIOUS DISEASE OUTBREAK – COVID-19**

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, has been characterized as a pandemic (the "Pandemic") by the World Health Organization and is currently affecting many parts of the world, including the United States and Texas. On January 31, 2020, the Secretary of the United States Health and Human Services Department declared a public health emergency for the United States and on March 13, 2020, the President of the United States declared the outbreak of COVID-19 in the United States a national emergency. Subsequently, the President's Coronavirus Guidelines for America and the United States Centers for Disease Control and Prevention called upon Americans to take actions to slow the spread of COVID-19 in the United States. On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. These include, for example, the issuance on April 27, 2020 of Executive Order GA-18, which order remains in effect until May 15, 2020, subject to extension based on the status of COVID-19 in Texas and the recommendations of the Governor's Strike Force to Open Texas, the White House Coronavirus Task Force, and the CDC. Executive Order GA-18, among other things, addressed limitations on social gatherings and in-person contact except where necessary to provide or obtain essential services or reopened services (including certain retail services) as such services are defined in state and federal guidance and future executive orders or proclamations of the Governor. GA-18 expands the scope of reopened services beginning on May 1, 2020, but subject to future restrictions in the Governor's sole discretion based on factors such as an increase in the transmission of COVID-19 or in the amount of COVID-19-related hospitalizations or fatalities. Executive Order GA-18 temporarily closed public and private schools throughout the state to in-person classroom attendance through the end of the 2019-2020 school year.

In addition to the actions by the state and federal officials, certain local officials, including the City and the County Judge of Lubbock County, have declared a local state of disaster and have issued orders. GA-18 supersedes any conflicting order issued by local officials in response to the Pandemic, but only to the extent that such a local order restricts essential services or reopened services allowed by GA-18, allows gatherings prohibited by GA-18, or expands the list of essential services or the list or scope of reopened services as set forth in GA-18. Many of the federal, state and local actions and policies under the aforementioned disaster declarations and orders are focused on limiting instances where the public can congregate or interact with each other, which affects the operation of businesses and directly impacts the economy.

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City. See "Table 3 - Tax Rate, Levy and Collection History" and "Table 12 – Municipal Sales Tax History." The Certificates are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City's operations and maintenance expenses. See "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations." A reduction in the collection of sales tax revenues may negatively impact the City's operating budget and overall financial condition.

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



## FINANCIAL POLICIES

*Basis of Accounting* . . .The Governmental Fund Types (General, Special Revenue, Debt Service and Capital Projects Funds), use a current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual. Expenditures are recorded when the related fund liability is incurred. Exceptions to this general rule include principal and interest on general long-term debt which are recorded as fund liabilities when due or when amounts have been accumulated in the Debt Service Fund for payments to be made early in the following year, and accrued vacation and sick leave which is recorded when payable from current available financial resources.

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

*Debt Service Fund Balance* . . .The Debt Service Fund is used to account for the accumulation of financial resources for the payment of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the Debt Service Fund is reserved to signify the amounts that are restricted exclusively for debt service expenditures.

*Budgetary Procedures* . . .The City operates on a twelve-month fiscal year that begins on October 1. The City Administrator is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. The Council can amend the budget by a majority vote. Budgeted amounts are as originally adopted, or as amended by the City Council. Unused appropriations for all annually budgeted funds lapse at the end of the fiscal year.

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## INVESTMENTS

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

**LEGAL INVESTMENTS** . . . Under State law, the City is authorized to make investments meeting the requirements of the PFIA, which currently 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 is 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 Securities and Exchange Commission (the "SEC") and operating under SEC Rule 15c3-3; (9) (i) certificates of deposit or share certificates meeting the requirements of the Public Funds Investment Act (Chapter 2256, Texas Government Code) (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 FDIC or the NCUSIF, or their respective successors, or 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) above, clause (12) below, require the securities being purchased by the City or cash held by the City to be pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with the remaining term 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; (12) 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 U.S. or state bank; (13) no-load money market mutual funds registered with and regulated by the United States 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 (14) no-load mutual funds registered with the SEC that have an average weighted maturity of less than two years, and 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 and are pledged to the City and deposited with the City or a third party selected and approved by the City.

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

final maturity of greater than ten (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.

Political subdivisions such as the City are authorized to implement 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 (12) through (14) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City’s name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State; and (iv) the agreement to lend securities has a term of one year or less.

Under State law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment, the maximum average dollar-weighted maturity allowed for pooled fund groups, methods to monitor the market price of investments acquired with public funds, a requirement for settlement of all transactions, except investment pool funds and mutual funds, on a delivery versus payment basis, and procedures to monitor rating changes in investments acquired with public funds and the liquidation of such investments consistent with the 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, the City’s investments must be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering the probable safety of capital and the probable income to be derived.” At least quarterly the City’s investment officers must submit an investment report to the City Council 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, (4) the book value and market value of each separately listed asset at the end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) State law. No person may invest City funds without express written authority from the City Council.

**ADDITIONAL PROVISIONS . . .** Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt by written instrument a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the Board; (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 entity’s entire portfolio, requires an interpretation of subjective investment standards or relates to investment transactions of the entity that are not made through accounts or other contractual arrangements over which the business organization has accepted discretionary investment authority), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) in conjunction with its annual financial audit, perform a compliance 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.

**TABLE 13 - CURRENT INVESTMENTS**

As of February 29, 2020, the City’s investable funds were invested in the following categories:

Description	Book Value	% of Total
Money Market Accounts	\$ 1,352,194	99.88%
TexPool	1,574	0.12%
Total	\$ 1,353,768	100.00%

## TAX MATTERS

**OPINIONS . . .** On the date of initial delivery of the Certificates, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel to the City, 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 Certificates for federal income tax purposes will be excludable from the “gross income” of the holders thereof and (2) the Certificates 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 will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Certificates. See APPENDIX C – Form of Bond Counsel’s Opinion.

In rendering the foregoing opinion, Bond Counsel to the City will rely upon (a) certain information and representations of the City, including information and representations contained in the City’s federal tax certificate, and (b) covenants of the City contained in the Certificate documents relating to certain matters, including arbitrage and the use of the proceeds of the Certificates and the property financed or refinanced therewith. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Certificates to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Certificates in order for interest on the Certificates 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 Certificates to be included in gross income retroactively to the date of issuance of the Certificates. The foregoing opinion of Bond Counsel is conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the Issue.

The foregoing opinion of Bond Counsel represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. None of the aforementioned opinions is a guarantee of a result. 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 Certificates.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Certificates or the projects financed with the proceeds of the Certificates. No assurances can be given as to whether or not the Internal Revenue Service will commence an audit of the Certificates, or as to whether the Internal Revenue Service would agree with any of aforementioned opinions of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the City as the taxpayer and the holders of the Certificates 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 Certificates may be less than the maturity amount thereof or one or more periods for the payment of interest on the Certificates 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 Certificates 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 issue 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 Certificates. This discussion is based on existing statutes, regulations, published rulings and court decisions, all of which are 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 accumulated earnings and profits and excessive passive income, foreign corporation 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 WITH 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 THE CERTIFICATES BEFORE DETERMINING WHETHER TO PURCHASE THE CERTIFICATES.**

Under section 6012 of the Code, holders of tax-exempt obligations, such as the Certificates, 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 Certificates, 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 Certificates 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.

**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 Certificates under Federal or state law and could affect the market price or marketability of the Certificates. 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 Certificates 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 City has designated the Certificates as “qualified tax-exempt obligations” within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Certificates 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 Certificates would not be “qualified tax-exempt obligations.”**

## CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the holders and registered owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access system ("EMMA").

**ANNUAL REPORTS** . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 5 and 7 through 13 and in APPENDIX B, which is the City's annual audited financial report. The City will update and provide the information in the numbered tables referred to above within six months after the end of each fiscal year ending in and after 2020. The City will additionally provide audited financial statements within 12 months after the end of each fiscal year ending in or after 2020. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial information of the type described in the numbered tables above by the required time and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation.

All financial information, operating data, financial statements and notices required to be provided to the MSRB shall be provided in an electronic format and be accompanied by identifying information prescribed by the MSRB. Financial information and operating data to be provided as set forth above 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) available to the public on the MSRB's Internet Web site or filed with the Securities and Exchange Commission (the "SEC"), as permitted by the Rule.

The City's current fiscal year end is September 30. Accordingly, it must provide updated financial and operating data by March 31 of each year and financial statements by September 30 in each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

**NOTICES OF CERTAIN EVENTS** . . . The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, 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 Paying Agent/Registrar or the change of name of a Paying Agent/Registrar, if material; (15) incurrence of a debt obligation or derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation of the City, or a guarantee of any such debt obligation or derivative instrument, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports."

For these purposes, any event described in (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City. For purposes of the events described in (15) and (16) above, "Financial Obligation" means a (a) debt obligation; (b) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (c) guarantee of a debt obligation or any such derivative instrument; provided that "financial obligation" shall not include municipal securities (as defined in the Securities Exchange Act of 1934, as amended) as to which a final official statement (as defined in the Rule) has been provided to the MSRB consistent with the Rule

**AVAILABILITY OF INFORMATION FROM MSRB . . .** The City has agreed to provide the foregoing information only as described above. Investors will be able to access continuing disclosure information filed with the MSRB free of charge at [www.emma.msrb.org](http://www.emma.msrb.org).

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

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

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

## **OTHER INFORMATION**

**RATINGS . . .** The Certificates have been assigned an unenhanced underlying rating of “AA-” (stable outlook) by S&P Global Ratings, a division of S&P Global Inc. (“S&P”) without regard to credit enhancement. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Certificates.

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

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

**LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS . . .** Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code), provides that the Certificates constitute negotiable instruments, and are investment securities governed by Chapter 8, Texas Uniform Commercial Code, notwithstanding any provisions of law or court decision to the contrary, and are legal and authorized investments for banks, savings banks, trust companies, building and loan associations, savings and loan associations, insurance companies, fiduciaries, and for the sinking funds of cities, towns, villages, school districts, and other political subdivisions or public agencies of the State. The Certificates are eligible to secure deposits of any public funds of the State, its agencies and political subdivision, and are legal security for those deposits to the extent of their market value. For political subdivisions in the State which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Chapter 2256, Texas Government Code), the Certificates may have to be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. See “OTHER INFORMATION – Rating” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at least \$1 million of capital, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value.

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

**LEGAL OPINION . . .** The City will furnish to the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinion of Bond Counsel, to like effect and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under “TAX MATTERS” herein. Though it may represent the Underwriters from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in the issuance of the Certificates. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained therein, except that, in its capacity as Bond Counsel, such firm has reviewed the information under captions “THE CERTIFICATES” (exclusive of subcaptions “Book-Entry-Only System” and “Certificateholders’ Remedies”), “TAX MATTERS” and “CONTINUING DISCLOSURE OF INFORMATION” (exclusive of the subcaption “Compliance with Prior Undertakings”) and the subcaptions “Legal Opinions” (excluding the last two sentences of the first paragraph thereof), “Registration and Qualification of Certificates for Sale” and “Legal Investments and Eligibility to Secure Public Funds in Texas” under the caption “OTHER INFORMATION” in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the legal issues contained under such captions and subcaptions is an accurate and fair description of the laws and legal issues addressed therein and, with respect to the Certificates, such information conforms to the Ordinance. The legal opinion will accompany the Certificates deposited with DTC or will be printed on the Certificates in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriters by their counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of such firm are contingent upon the sale and delivery of the Certificates.

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

**FINANCIAL ADVISOR . . .** Specialized Public Finance Inc. is employed as Financial Advisor to the City in connection with the issuance of the Certificates. The Financial Advisor’s fee for services rendered with respect to the sale of the Certificates is contingent upon the issuance and delivery of the Certificates. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Certificates, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

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

**FORWARD-LOOKING STATEMENTS . . .** The statements contained in this Official Statement, and in any other information provided by the City, that are not purely historical, are forward-looking statements, including statements regarding the City’s expectations, hopes, intentions, or strategies regarding the future. Readers should not place undue reliance on forward-looking statements. All forward-looking statements included in this Official Statement are based on information available to the City on the date hereof, and the City assumes no obligation to update any such forward-looking statements.

The forward-looking statements 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, therefore, there can be no assurance that the forward-looking statements included in this Official Statement would prove to be accurate.

**UNDERWRITING . . .** The Underwriter has agreed, subject to certain conditions, to purchase the Certificates from the City at the initial offering prices set forth on the inside cover page of this Official Statement, less an underwriting discount of \$36,789.51. The Underwriter will be obligated to purchase all of the Certificates if any Certificates are purchased. The Certificates to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Certificates into investment trusts) at prices lower than the public offering prices of such Certificates, and such public offering prices may be changed, from time to time, by the Underwriter.



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

The Underwriter and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities. Certain of the Underwriter and its respective affiliates have, from time to time, performed, and may in the future perform, various investment banking services for the City for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the Underwriter and its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (which may include bank loans and/or credit default swaps) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the City.

**MISCELLANEOUS . . .** The financial data and other information contained herein have been obtained from the City’s records, audited financial statements and other sources which are believed to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will be realized. All of the summaries of the statutes, documents and Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, 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. The Ordinance authorizing the issuance of the Certificates approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorizes its further use in the reoffering of the Certificates by the Underwriter.

Except as set forth in “CONTINUING DISCLOSURE OF INFORMATION” herein, the City has no obligation to disclose any changes in the affairs of the City and other matters described in this Official Statement subsequent to the “end of the underwriting period” which shall end when the City delivers the Certificates to the Underwriter at closing, unless extended by the Underwriter. All information with respect to the resale of the Certificates subsequent to the “end of the underwriting period” is the responsibility of the Underwriter.

This Official Statement has been approved by the City Council of the City 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, as amended.

Charles Addington, D.O.  
Mayor  
City of Wolfforth, Texas

ATTEST:

Lauren Murphey  
City Secretary  
City of Wolfforth, Texas

**APPENDIX A**

GENERAL INFORMATION REGARDING THE CITY

## THE CITY

The City of Wolfforth is located on U.S. Highway 62/82 and shares a boundary with the City of Lubbock. The 2010 U.S. Census population for the City was 3,670. Area of the City is approximately 2.8 square miles.

The 2010 U.S. population of Lubbock County was 278,831 and the estimated population for 2012 is 285,760. The County, located on the South Plains of West Texas, comprises the Lubbock Metropolitan Statistical Area and is traversed by Interstate Highway 27, U.S. Highways 62/82, 84, 87 and 385, State Highway 114 and a well developed network of farm-to-market roads.

### ECONOMY

Lubbock County is a highly mechanized agricultural area with a majority of the crops irrigated, approximately 230,000 acres, with water from underground sources. Principal crops are cotton (leading cotton producing County in Texas), grain sorghum, wheat, sunflowers, soybeans, hay, nursery and vegetables. Additional agricultural income comes from fed beef, cow-calf operations, poultry, eggs and hogs. Lubbock County is among the world's largest cotton seed processing centers. Several major seed companies are headquartered in Lubbock.

Over 200 manufacturing plants in Lubbock produce such products as semiconductors, vegetable oils, irrigation equipment and pipe, plastics products, farm equipment, paperboard boxes, custom millwork/shutters, foodstuffs, prefabricated homes, poultry and livestock feeds, boilers and pressure vessels, automatic sprinkler system heads, and structural steel fabrication.

### LABOR FORCE ESTIMATES – LUBBOCK COUNTY <sup>(1)</sup>

	February	Annual Averages			
	2020	2019	2018	2017	2016
Civilian Labor Force	158,979	158,134	157,225	156,160	152,876
Total Employment	154,606	153,680	152,414	151,185	147,693
Total Unemployment	4,373	4,454	4,811	4,975	5,183
Percent Unemployment	2.8%	2.8%	3.1%	3.2%	3.4%

(1) Source: Texas Workforce Commission.

### EDUCATION

Frenship Independent School District serves the City of Wolfforth providing curriculum for grades K-12. Higher education in Lubbock County is offered by Texas Tech University with law and medical schools; Lubbock Christian University, South Plains College; and Wayland Baptist University off-campus center.

**APPENDIX B**

EXCERPTS FROM THE  
CITY OF WOLFFORTH, TEXAS  
ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the City of Wolfforth, Texas Annual Financial Report for the Year Ended September 30, 2019, and is not intended to be a complete statement of the City's financial condition. Reference is made to the complete Report for further information.

# City Wolfforth, Texas

## ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019



**CRI** CARR  
RIGGS &  
INGRAM

CPAs and Advisors

[CRICpa.com](http://CRICpa.com)

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## **Introductory Section**

**City of Wofforth, Texas**  
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**City of Wolfforth, Texas  
Official Roster  
September 30, 2019**

**City Council**

<b><u>Name</u></b>		<b><u>Title</u></b>
Charles Addington, D.O.		Mayor
Randy Gross		Councilmember
Julie Merrill		Councilmember
Mike Bickel		Councilmember
Chris Powers		Councilmember
Rod Moor		Councilmember

**Administration**

Darrell Newsom		City Manager
Lauren Murphey		City Secretary
Shawn Morton		Accountant

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## **Financial Section**

## **INDEPENDENT AUDITORS' REPORT**

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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Wolfforth, Texas (the "City"), as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 Wolfforth, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 12 through 19, the budgetary comparison for the general fund on page 85, the GASB required pension and OPEB schedules on pages 86 through 94, and the notes to the required supplementary information be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

*Carr, Riggs & Ingram, L.L.C.*

Carr, Riggs & Ingram, LLC  
Albuquerque, New Mexico  
March 23, 2020

## City of Wolfforth, Texas Management's Discussion and Analysis September 30, 2019

As management of the City of Wolfforth (the "City"), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2019. This discussion and analysis is designed to provide an objective and easy to read analysis of the City's financial activities based on currently known facts, decisions or conditions. It is intended to provide a broad overview using a short-term and long-term analysis of the City's activities based on information presented in the financial report and fiscal policies that have been adopted by the Council. Specifically, this section is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent year challenges), identify any material deviations from the financial plan (the adopted budget) and identify individual fund issues or concerns. As with other sections of this financial report, the information contained within this MD&A should be considered only as a part of the greater whole. The reader of this statement should take time to read and evaluate all sections of this report, including the notes that are provided in addition to this MD&A.

### FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at the close of the fiscal year ending September 30, 2019 by \$7,862,791 (net position).
- The City's assets and deferred outflows increased by \$209,096 during the year while the liabilities and deferred inflows decreased by \$23,972.
- The City's net position increased by \$64,164 for the year not including restatements of \$168,904.
- The City continued to maintain its AA- rating for issuing debt.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide a broad overview of the City's finances, in a manner similar to private sector business. The two government-wide statements report the City's net position and how it has changed.

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

The statement of activities presents information showing how the City's net position changed during the year. All changes in net position are reported as soon as the event causing the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future periods (e.g., uncollected taxes).



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The government-wide financial statements consist of the City (known as the primary government) and the Wolfforth Economic Development Corporation (the "EDC") for which the City is accountable. The EDC is reported separately from the financial information presented for the primary government. The EDC, although legally separate, functions for all practical purposes as a department of the City, and therefore has been included as an integral part of the primary government.

In the statement of net position and the statement of activities, the City is divided into two kinds of activities:

- Governmental activities – Distinguish functions of the City that are principally supported by taxes and intergovernmental revenues. Most of the City's basic services are reported here, including the general administration, police, fire, streets, library, and parks. Property taxes, sales tax and franchise fees finance most of these services.
- Business-type activities – Report functions of the City that are intended to recover all of a significant portion of their costs through user fees and charges. The City's water and sewer system and sanitation solid waste collection are reported here.

The government-wide financial statements are presented on pages 22-25 of this report.

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

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

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

The City maintains three governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund and the Debt Service Fund, which are considered to be major funds. The City has only one non-major governmental fund, the Capital Projects Fund.

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The City adopts an annual appropriations budget for its General Fund. A budgetary comparison statement has been provided for the General Fund.

The basic governmental financial statements can be found on pages 22-33 of this report.

**Proprietary Funds.** The City maintains two types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer services and sanitation (solid waste disposals) services. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses an internal service fund to account for health insurance. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position, while the net revenue (expenses) of the internal service fund is reported with governmental activities.

The proprietary fund financial statements provide information for the water and sewer services and sanitation (solid waste disposals) service fund as business-type activities. The information provided is the same type as the information in the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 34-39 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the audited financial statements. The notes can be found on pages 40-82 of this report.

**Other Information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information that further explains and supports the information in the financial statements. Required supplementary information can be found on pages 85-97 of this report.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Wolfforth, assets and deferred outflows of resources exceed liabilities and deferred inflows of resources by \$7,862,791 at September 30, 2019.

The largest portion of the City's net position (74 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

\$989,787 of the City's net position represents resources that are subject to external restrictions on how they may be used. The \$1,058,941 balance of unrestricted net position may be used to meet the government's ongoing obligations to citizens and creditors.

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The following is a summary of the City's statement of net position.

September 30,	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Assets</b>						
Current and Other Assets	\$ 2,201,572	\$ 2,352,667	\$ 1,769,381	\$ 1,957,191	\$ 3,970,953	\$ 4,309,858
Capital Assets	6,098,368	5,442,508	12,731,887	13,158,132	18,830,255	18,600,640
<b>Total Assets</b>	<b>\$ 8,299,940</b>	<b>\$ 7,795,175</b>	<b>\$ 14,501,268</b>	<b>\$ 15,115,323</b>	<b>\$ 22,801,208</b>	<b>\$ 22,910,498</b>
<b>Deferred Outflows of Resources</b>						
	\$ 327,101	\$ 95,829	\$ 185,541	\$ 98,427	\$ 512,642	\$ 194,256
<b>Liabilities</b>						
Current Liabilities	\$ 628,267	\$ 262,457	\$ 1,269,894	\$ 318,960	\$ 1,898,161	\$ 581,417
Net Pension Liability	839,207	590,794	367,197	262,266	1,206,404	853,060
OPEB Liability	54,935	29,377	23,663	13,354	78,598	42,731
Long-Term Liabilities	2,813,463	2,877,363	9,445,099	11,120,460	12,258,562	13,997,823
<b>Total Liabilities</b>	<b>\$ 4,335,872</b>	<b>\$ 3,759,991</b>	<b>\$ 11,105,853</b>	<b>\$ 11,715,040</b>	<b>\$ 15,441,725</b>	<b>\$ 15,475,031</b>
<b>Deferred Inflows of Resources</b>						
	\$ 7,576	\$ -	\$ 1,758	\$ -	\$ 9,334	\$ -
<b>Net position</b>						
Net Investment in Capital Assets	\$ 3,291,597	\$ 2,883,492	\$ 2,522,466	\$ 3,318,753	\$ 5,814,063	\$ 6,202,245
Restricted	989,787	773,235	-	1,163,002	989,787	1,936,237
Unrestricted	2,209	474,286	1,056,732	(983,045)	1,058,941	(508,759)
<b>Total Net Position</b>	<b>\$ 4,283,593</b>	<b>\$ 4,131,013</b>	<b>\$ 3,579,198</b>	<b>\$ 3,498,710</b>	<b>\$ 7,862,791</b>	<b>\$ 7,629,723</b>

At the end of the fiscal year, the City was able to report positive balances in net position, for the government as a whole, as well as for its separate governmental and business-type activities.

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The following is a summary of the City's statement of activities.

For the year ended September 30,	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	171,119	\$ 272,805	\$ 2,835,200	\$ 2,718,777	\$ 3,006,319	\$ 2,991,582
Operating grants and contributions	83,466	106,932	-	-	83,466	106,932
Capital grants and contributions	-	29,211	183,309	-	183,309	29,211
<b>General revenues:</b>						
Property taxes	2,620,642	2,219,823	-	-	2,620,642	2,219,823
Sales and use taxes	694,688	605,246	-	-	694,688	605,246
Franchise taxes	256,543	263,276	-	-	256,543	263,276
Investment income	29,181	28,250	17,879	16,532	47,060	44,782
Other	472,975	183,582	118,984	465,274	591,959	648,856
<b>Total revenues</b>	<b>\$ 4,328,614</b>	<b>\$ 3,709,125</b>	<b>\$ 3,155,372</b>	<b>\$ 3,200,583</b>	<b>\$ 7,483,986</b>	<b>\$ 6,909,708</b>
<b>Expenses:</b>						
General government	\$ 1,112,913	\$ 786,904	\$ -	\$ -	\$ 1,112,913	\$ 786,904
Public safety	1,438,437	1,172,525	-	-	1,438,437	1,172,525
Public works	285,421	238,501	-	-	285,421	238,501
Culture and recreation	337,173	257,280	-	-	337,173	257,280
Health and welfare	826,322	760,339	-	-	826,322	760,339
Interest and other charges	74,043	81,996	-	-	74,043	81,996
Water, sewer, and sanitation	-	-	3,403,629	3,042,186	3,403,629	3,042,186
<b>Total expenses</b>	<b>\$ 4,074,309</b>	<b>\$ 3,297,545</b>	<b>\$ 3,403,629</b>	<b>\$ 3,042,186</b>	<b>\$ 7,477,938</b>	<b>\$ 6,339,731</b>
Change in net position before transfers	\$ 254,305	\$ 411,580	\$ (248,257)	\$ 158,397	\$ 6,048	\$ 569,977
Transfers	(287,104)	(281,699)	345,220	281,699	58,116	-
Change in net position	(32,799)	129,881	96,963	440,096	64,164	569,977
Net position - beginning	4,131,013	4,001,132	3,498,710	3,058,614	7,629,723	7,059,746
Restatement of net position (note 15)	185,379	-	(16,475)	-	168,904	-
Net position - beginning, as restated	4,316,392	4,001,132	3,482,235	3,058,614	7,798,627	7,059,746
<b>Net position - ending</b>	<b>\$ 4,283,593</b>	<b>\$ 4,131,013</b>	<b>\$ 3,579,198</b>	<b>\$ 3,498,710</b>	<b>\$ 7,862,791</b>	<b>\$ 7,629,723</b>

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**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balances of the General Fund is \$917,024. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Unassigned fund balance represents 20.53 percent of total general fund expenditures, while total fund balance represents 20.54 percent of that same amount.

Other Items. The Debt Service Fund has a total fund balance of \$584,360 all of which is restricted for the payment of debt service.

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

Unrestricted net position at the end of the year for the water and sewer services and sanitation (solid waste disposals) service fund is \$1,056,732.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

It is the practice of the City to budget very conservatively. Revenues in 2018-19 were \$208,375 more than budgeted with Sales and use taxes coming in at \$94,658 more than budgeted. Actual expenses were 817,191 more than budgeted primarily due to Capital Outlay and the General Government expenditures being higher than anticipated. While the City budgeted \$0 of appropriated fund balance the City's actual change in fund balance was an decrease of \$232,538.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** The City's investment in capital assets for its governmental and business-type activities as of September 30, 2019 amounts to \$18,830,255 (net of depreciation). This investment in capital assets includes land, buildings, equipment, streets and water/sewer systems, and improvements other than buildings.

The General Fund leased an ambulance for \$750 thousand. The Water and Sewer Fund began construction of a connection line to tie into the Lubbock emergency water line which will cost approximately \$480 thousand. Expenitures related to the project totaled \$21,400 for the year ended September 30, 2019. Additional information on the City's capital assets can be found in note 6 of this report.

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**Long-Term Liabilities.** At the end of the fiscal year, the City had total outstanding long-term liabilities of \$13,373,991. Included in the City's long-term debt are capital leases in the amount of \$876,991 for a fire truck and ambulance. The remainder of the long-term debt is in the form of certificates of obligation, tax notes, and bonds that were used to acquire and/or rehabilitate facilities to attract and/or retain businesses.

The City's long-term liabilities are summarized below:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Note Payable - Ambulance	\$ 126,991	\$ 166,319	\$ -	\$ -	\$ 126,991	\$ 166,319
Note Payable - Fire Truck	750,000	-	-	-	750,000	-
Certificate of Obligation Series 2010	1,305,000	1,430,000	-	-	1,305,000	1,430,000
Certificate of Obligation Series 2013	-	-	4,905,000	5,205,000	4,905,000	5,205,000
Certificate of Obligation Series 2017A	-	-	1,340,000	1,400,000	1,340,000	1,400,000
Tax Notes Series 2013	38,540	76,260	8,460	16,740	47,000	93,000
Tax Notes Series 2015	123,240	162,760	113,760	150,240	237,000	313,000
Tax Notes Series 2016	-	-	404,000	500,000	404,000	500,000
Tax Notes Series 2016A	-	-	224,000	278,000	224,000	278,000
Tax Notes Series 2017B	419,200	537,600	235,800	302,400	655,000	840,000
General Obligation Refunding Bonds Series 2015	442,897	475,000	2,937,103	3,150,000	3,380,000	3,625,000
<b>Totals</b>	<b>\$ 3,205,868</b>	<b>\$ 2,847,939</b>	<b>\$ 10,168,123</b>	<b>\$ 11,002,380</b>	<b>\$ 13,373,991</b>	<b>\$ 13,850,319</b>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

The City of Wolfforth will have an expected growth of over 70% in the next Census, according to the Census Bureau. In the past year, two long term employees, Debbie Perkey and Doug Hutcheson, retired from the City Secretary and the Public Works Director positions. We look ahead to moving forward with new employees in those key positions, and with the hiring of Jared Wesley as City Engineer, and Lauren Murphey as City Secretary, adding new players will help with our continued expansion.

This year, Fire, EMS, and Police services are expanding and call for new positions to continue to provide the level of protection and service our community is known for.

Progress has been made in some key developments that will bring a number of new residents to our community. Scarlet Matador homes will be online and operational this year. Preston Manor continues to keep up a strong pace in new construction. Utility and street construction has already begun in the Ironhorse subdivision which will bring new options to prospective homebuyers. New expansion in the Frenship Mesa subdivision will bring growth in the established part of the City.

The Wolfforth EDC continues to lead our commercial development efforts in a very positive way. Recruiting efforts with the Retail Coach's guidance have continued to have an impact on new businesses coming to our community. O'Reilly's is on line and showing much promise in impacting our revenues. The Accoutrements Shopping Center continues to bring new tenants online. With the new relationship the EDC has with the Leading EDG, we will be able to provide new and existing businesses with consulting in financial and business planning. These efforts have brought on a 16% growth in sales tax over last year's



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already impressive 31% growth. With the new construction of the Grace Hospital facility across the freeway, new opportunities will increase in markets we have not been active in previously.

Infrastructure needs continue to grow as well. In the near term we will need a major expansion and improvements to our water and sewer plants. The TWDB has awarded our loan to allow us to move ahead with the Wolfforth Place project (see further information regarding new debt in note 13). Plans are in place to provide substantial capacity to our sewer plant. Wells 18 and 19 should be online in the next year. Construction will begin soon to allow for an emergency connection to Lubbock water.

Requests for Information. This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darrell Newsom, at the City of Wolfforth, PO Box 36, Wolfforth, Texas.

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## **Basic Financial Statements**

**City of Wolfforth, Texas**  
**Statement of Net Position**  
**September 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation
<b>Assets</b>				
Current assets				
Cash and cash equivalents	\$ 1,851,211	\$ 1,233,223	\$ 3,084,434	\$ 883,196
Investments	35	1,528	1,563	-
Receivables, net:				
Property taxes	79,521	-	79,521	-
Other taxes	127,845	-	127,845	61,316
Accounts receivable	-	342,867	342,867	-
Notes receivable	-	-	-	113,763
EMS fees	141,962	-	141,962	-
Miscellaneous	7,916	-	7,916	-
Prepaid expense	-	18,001	18,001	-
Internal Balances	(7,368)	7,368	-	-
Total current assets	2,201,122	1,602,987	3,804,109	1,058,275
Noncurrent assets				
Restricted cash and cash equivalents	450	166,394	166,844	-
Capital assets, net of accumulated depreciation	6,098,368	12,731,887	18,830,255	-
Total noncurrent assets	6,098,818	12,898,281	18,997,099	-
Total assets	8,299,940	14,501,268	22,801,208	1,058,275
<b>Deferred outflows of resources</b>				
Deferred outflows - refunding bonds	18,108	66,164	84,272	-
Deferred outflows - pension	283,952	109,112	393,064	-
Deferred outflows - OPEB	25,041	10,265	35,306	-
Total deferred outflows of resources	327,101	185,541	512,642	-
Total assets and deferred outflows of resources	\$ 8,627,041	\$ 14,686,809	\$ 23,313,850	\$ 1,058,275

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



	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Wolfforth Economic Development Corporation
<b>Liabilities</b>				
Current liabilities				
Accounts payable	\$ 140,074	\$ 228,769	\$ 368,843	\$ -
Accrued payroll	32,137	7,979	40,116	-
Taxes payable	-	3,190	3,190	-
Accrued interest payable	6,049	20,893	26,942	-
Customer deposits	450	166,394	166,844	-
Current portion of notes, bonds, and capital leases payable	425,937	830,486	1,256,423	-
Compensated absences	23,620	12,183	35,803	-
<b>Total current liabilities</b>	<b>628,267</b>	<b>1,269,894</b>	<b>1,898,161</b>	<b>-</b>
Noncurrent liabilities				
Claims payable	9,094	-	9,094	-
Notes, bonds, and capital leases payable	2,779,931	9,337,637	12,117,568	-
Bond premiums, net of accuulated amortization of \$11,149 and \$45,709	24,438	107,462	131,900	-
Net pension liability	839,207	367,197	1,206,404	-
OPEB liability	54,935	23,663	78,598	-
<b>Total noncurrent liabilities</b>	<b>3,707,605</b>	<b>9,835,959</b>	<b>13,543,564</b>	<b>-</b>
<b>Total liabilities</b>	<b>4,335,872</b>	<b>11,105,853</b>	<b>15,441,725</b>	<b>-</b>
<b>Deferred inflows of resources</b>				
Deferred inflows - pensions	5,585	955	6,540	-
Deferred inflows - OPEB	1,991	803	2,794	-
<b>Total deferred inflows of resources</b>	<b>7,576</b>	<b>1,758</b>	<b>9,334</b>	<b>-</b>
<b>Net position</b>				
Net investment in capital assets	3,291,597	2,522,466	5,814,063	-
Restricted for:				
Debt service	584,360	-	584,360	-
Capital projects	405,427	-	405,427	-
Unrestricted net position	2,209	1,056,732	1,058,941	1,058,275
<b>Total net position</b>	<b>4,283,593</b>	<b>3,579,198</b>	<b>7,862,791</b>	<b>1,058,275</b>
Total liabilities, deferred inflows, and net position	\$ 8,627,041	\$ 14,686,809	\$ 23,313,850	\$ 1,058,275

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

**City of Wolfforth, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2019**

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary government:</b>				
<b>Governmental activities:</b>				
General government	\$ 1,112,913	\$ 125,697	\$ -	\$ -
Public safety	1,438,437	10,986	48,903	-
Public works	285,421	817	-	-
Culture and recreation	337,173	33,346	34,563	-
Health and welfare	826,322	273	-	-
Interest and other charges	74,043	-	-	-
Total governmental activities	4,074,309	171,119	83,466	-
<b>Business-type activities:</b>				
Water	1,737,593	1,710,872	-	-
Sewer	1,123,772	515,160	-	183,309
Sanitation	542,264	609,168	-	-
Total business-type activities	3,403,629	2,835,200	-	183,309
Total primary government	\$ 7,477,938	\$ 3,006,319	\$ 83,466	\$ 183,309
<b>Component unit:</b>				
Economic development	\$ 288,758	\$ -	\$ -	\$ -

General revenues and transfers:

Taxes

- Property taxes
- Sales and use taxes
- Franchise taxes
- Investment income
- Fire and EMS revenue
- Fines, fees and permits
- Fines and penalty revenue
- Donations
- Insurance recoveries
- Other revenue

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning, as originally stated

Restatement of net position (see note 15)

Net position, beginning, as restated

Net position, ending

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

<b>Net (Expense) Revenue and Changes in Net Position</b>				
<b>Primary Government</b>			<b>Component Unit</b>	
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>	<b>Wolfforth Economic Development Corporation</b>	
\$ (987,216)	\$ -	\$ (987,216)	\$ -	-
(1,378,548)	-	(1,378,548)	-	-
(284,604)	-	(284,604)	-	-
(269,264)	-	(269,264)	-	-
(826,049)	-	(826,049)	-	-
(74,043)	-	(74,043)	-	-
(3,819,724)	-	(3,819,724)	-	-
-	(26,721)	(26,721)	-	-
-	(425,303)	(425,303)	-	-
-	66,904	66,904	-	-
-	(385,120)	(385,120)	-	-
(3,819,724)	(385,120)	(4,204,844)	-	-
-	-	-	(288,758)	-
2,620,642	-	2,620,642	-	-
694,688	-	694,688	347,344	-
256,543	-	256,543	-	-
29,181	17,879	47,060	7,243	-
302,982	-	302,982	-	-
151,523	-	151,523	-	-
-	101,495	101,495	-	-
1,756	-	1,756	-	-
1,524	-	1,524	-	-
15,190	17,489	32,679	21,000	-
(287,104)	345,220	58,116	(58,116)	-
3,786,925	482,083	4,269,008	317,471	-
(32,799)	96,963	64,164	28,713	-
4,131,013	3,498,710	7,629,723	999,743	-
185,379	(16,475)	168,904	29,819	-
4,316,392	3,482,235	7,798,627	1,029,562	-
\$ 4,283,593	\$ 3,579,198	\$ 7,862,791	\$ 1,058,275	-

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

**City of Wolfforth, Texas**  
**Balance Sheet**  
**Governmental Funds**  
**September 30, 2019**

	General Fund	Debt Service Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 807,521	\$ 599,496
Investments	35	-
Receivables, net:		
Property taxes	55,182	24,339
Other taxes	127,845	-
EMS fees	141,962	-
Miscellaneous	7,916	-
Due from other funds	7,768	-
<b>Total assets</b>	<b>\$ 1,148,229</b>	<b>\$ 623,835</b>
<b>Liabilities, deferred inflows of resources, and fund balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 140,074	\$ -
Accrued payroll	32,137	-
Due to other funds	-	15,136
Customer deposits	450	-
<b>Total liabilities</b>	<b>172,661</b>	<b>15,136</b>
<b>Deferred inflows of resources</b>		
Unavailable revenue - property taxes	58,544	24,339
<b>Total deferred inflows of resources</b>	<b>58,544</b>	<b>24,339</b>
<b>Fund balances</b>		
<b>Restricted</b>		
Debt service	-	584,360
Capital projects	-	-
Unassigned	917,024	-
<b>Total fund balances</b>	<b>917,024</b>	<b>584,360</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 1,148,229</b>	<b>\$ 623,835</b>

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

<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ 405,427	\$ 1,812,444
-	35
-	79,521
-	127,845
-	141,962
-	7,916
-	7,768
<u>\$ 405,427</u>	<u>\$ 2,177,491</u>

\$ -	\$ 140,074
-	32,137
-	15,136
-	450
<u>-</u>	<u>187,797</u>

-	82,883
<u>-</u>	<u>82,883</u>

-	584,360
405,427	405,427
-	917,024
<u>405,427</u>	<u>1,906,811</u>
<u>\$ 405,427</u>	<u>\$ 2,177,491</u>

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

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**City of Wolfforth, Texas**  
**Governmental Funds**  
**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position**  
**September 30, 2019**

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

Fund balances - total governmental funds	\$	1,906,811
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		6,098,368
Certain taxes receivable are not considered "available" revenues and are considered to be unearned revenue in the fund financial statements, but are considered revenue in the statement of activities		
Property taxes		82,883
Deferred outflows and inflows of resources are applicable to future periods and therefore, are not reported in funds:		
Deferred outflows - refunding bonds		18,108
Deferred outflows - pensions		283,952
Deferred outflows - OPEB		25,041
Deferred inflows - pensions		(5,585)
Deferred inflows - OPEB		(1,991)
Some liabilities, including bonds payable, certificates of obligation, tax notes, accrued compensated absences, net pension liability, OPEB liability, and accrued interest are not due and payable in the current period and, therefore, are not reported in the funds:		
Accrued interest		(6,049)
Compensated absences		(23,620)
Notes, bonds, and capital leases payable		(3,205,868)
Premium on bonds payable		(24,438)
Net pension liability		(839,207)
OPEB liability		(54,935)
The City uses an internal service fund to charge the costs of insurance to appropriate functions in other funds. The assets and liabilities of the internal service fund attributable to the fund are included in the statement of net position		30,123
<b>Total net position of governmental activities</b>	<b>\$</b>	<b>4,283,593</b>

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

**City of Wolfforth, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2019**

	General Fund	Debt Service Fund
<b>Revenues</b>		
Taxes:		
Property taxes	\$ 1,785,661	\$ 813,277
Sales and use taxes	694,688	-
Franchise taxes	256,543	-
State operating grants	83,466	-
Charges for services	171,119	-
Fines, fees and permits	151,523	-
Fire and EMS revenue	302,982	-
Investment income	17,544	4,985
Other revenue	15,190	-
Donations	1,756	-
<b>Total revenues</b>	<b>3,480,472</b>	<b>818,262</b>
<b>Expenditures</b>		
Current:		
General government	971,597	-
Public safety	1,061,241	-
Public works	105,297	-
Culture and recreation	307,527	-
Health and welfare	865,505	-
Capital outlay	1,153,367	-
Debt service:		
Principal	-	352,891
Interest and other charges	-	78,218
<b>Total expenditures</b>	<b>4,464,534</b>	<b>431,109</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>(984,062)</b>	<b>387,153</b>
<b>Other financing sources (uses)</b>		
Loan proceeds	750,000	-
Insurance recoveries	1,524	-
Transfers out	-	(287,104)
<b>Total other financing sources (uses)</b>	<b>751,524</b>	<b>(287,104)</b>
<b>Net change in fund balances</b>	<b>(232,538)</b>	<b>100,049</b>
Fund balances, beginning, as originally stated	1,547,138	484,311
Fund balances - reclassification (note 15)	(606,317)	-
Fund balances - restatement (note 15)	208,741	-
Fund balances, beginning, as restated	1,149,562	484,311
Fund balances - end of year	\$ 917,024	\$ 584,360

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

<b>Capital Projects Fund</b>	<b>Total Governmental Funds</b>
\$ -	\$ 2,598,938
-	694,688
-	256,543
-	83,466
-	171,119
-	151,523
-	302,982
6,267	28,796
-	15,190
-	1,756
6,267	4,305,001
-	971,597
-	1,061,241
-	105,297
-	307,527
-	865,505
207,157	1,360,524
-	352,891
-	78,218
207,157	5,102,800
(200,890)	(797,799)
-	750,000
-	1,524
-	(287,104)
-	464,420
(200,890)	(333,379)
-	2,031,449
606,317	-
-	208,741
606,317	2,240,190
\$ 405,427	\$ 1,906,811

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

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**City of Wolfforth, Texas  
Governmental Funds**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended September 30, 2019**

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

Net change in fund balances - total governmental funds	\$	(333,379)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		1,360,524
Depreciation expense		(660,592)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Property taxes		21,704
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Governmental funds report pension and other post-employment benefit contributions as expenditures. However, in the statement of activities, the cost of pension and other post-employment benefits earned net of employee contributions is reported as pension or OPEB expense:

Pension related expense		(47,335)
OPEB related expense		(5,665)

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Proceeds from the issuance of capital leases		(750,000)
Principal payments on notes and bonds payable		352,891
Principal payments on capital leases payable		39,180

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Accrued interest		4,176
Accrued compensated absences		(6,836)
Amortization of premium on refunding		4,986
Amortization of deferred amount on refunding		(1,508)

The City uses an internal service fund to charge the costs of insurance to individual funds. The adjustment is needed to reflect the consolidation of the internal service fund in the governmental activities		(10,945)
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Change in net position of governmental activities	\$	(32,799)
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*The accompanying notes are an integral part of these financial statements.*

**City of Wolfforth, Texas**  
**Statement of Net Position**  
**Proprietary Funds**  
**September 30, 2019**

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Water, Sewer and Sanitation Fund</b>	<b>Self-Insurance Fund</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 1,233,223	\$ 39,217
Investments	1,528	-
Accounts receivable, net	342,867	-
Due from other funds	7,368	-
Prepaid assets	18,001	-
<b>Total current assets</b>	<b>1,602,987</b>	<b>39,217</b>
Noncurrent assets		
Restricted cash and cash equivalents	166,394	-
Capital assets non-depreciable	517,670	-
Capital assets depreciable	21,359,284	-
Less: accumulated depreciation	(9,145,067)	-
<b>Total noncurrent assets</b>	<b>12,898,281</b>	<b>-</b>
<b>Total assets</b>	<b>14,501,268</b>	<b>39,217</b>
<b>Deferred outflows of resources</b>		
Deferred outflows - refunding bonds	66,164	-
Deferred outflows - pension	109,112	-
Deferred outflows - OPEB	10,265	-
<b>Total deferred outflows of resources</b>	<b>185,541</b>	<b>-</b>
<b>Total assets and deferred outflows of resources</b>	<b>\$ 14,686,809</b>	<b>\$ 39,217</b>

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

	<b>Business-Type Activities</b>	<b>Governmental Activities</b>
	<b>Water, Sewer and Sanitation Fund</b>	<b>Self-Insurance Fund</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable	\$ 228,769	\$ -
Accrued payroll	7,979	-
Taxes payable	3,190	-
Accrued interest payable	20,893	-
Customer deposits	166,394	-
Current portion of notes and bonds payable	830,486	-
Compensated absences	12,183	-
<b>Total current liabilities</b>	<b>1,269,894</b>	<b>-</b>
Noncurrent liabilities		
Notes and bonds payable	9,337,637	-
Bond premiums, net of accumulated amortization of \$45,709	107,462	-
Net pension liability	367,197	-
Net OPEB liability	23,663	-
Claims payable	-	9,094
<b>Total noncurrent liabilities</b>	<b>9,835,959</b>	<b>9,094</b>
<b>Total liabilities</b>	<b>11,105,853</b>	<b>9,094</b>
<b>Deferred inflows of resources</b>		
Deferred inflows - pension	955	-
Deferred inflows - OPEB	803	-
<b>Total deferred inflows of resources</b>	<b>1,758</b>	<b>-</b>
<b>Net position</b>		
Net investment in capital assets	2,522,466	-
Restricted for debt service	-	-
Unrestricted	1,056,732	30,123
<b>Total net position</b>	<b>3,579,198</b>	<b>30,123</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 14,686,809</b>	<b>\$ 39,217</b>

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

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**City of Wolfforth, Texas**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	Business-Type Activities	Governmental Activities
	Water, Sewer and Sanitation Fund	Self-Insurance Fund
Operating revenues		
Water sales	\$ 1,653,131	\$ -
Sewer	439,460	-
Sanitation	609,168	-
Contributions	-	264,990
Fines and penalty revenue	101,495	-
Water and sewer taps	75,700	-
Rentals	57,741	-
Other Revenue	17,489	-
<b>Total operating revenues</b>	<b>2,954,184</b>	<b>264,990</b>
Operating expenses		
Personnel services	674,583	-
Supplies	189,888	-
Contractual	612,567	-
Depreciation	1,054,995	-
Landfill fees	540,300	-
Claims expense	-	81,918
Administrative fees	-	180,632
Premiums	-	13,643
Other operating costs	85,518	127
<b>Total operating expenses</b>	<b>3,157,851</b>	<b>276,320</b>
<b>Operating income (loss)</b>	<b>(203,667)</b>	<b>(11,330)</b>
Non-operating revenues (expenses)		
Contribution from EDC	-	-
Interest expense	(245,778)	-
Interest income	17,879	385
<b>Total non-operating revenues (expenses)</b>	<b>(227,899)</b>	<b>385</b>
Income (loss) before contributions and transfers	(431,566)	(10,945)
Capital grant revenue	183,309	-
Transfers in	345,220	-
<b>Change in net position</b>	<b>96,963</b>	<b>(10,945)</b>
Net position, beginning, as originally stated	3,498,710	41,068
Net position, restatement (note 15)	(16,475)	-
Net position, beginning, as restated	3,482,235	41,068
<b>Net position, end of year</b>	<b>\$ 3,579,198</b>	<b>\$ 30,123</b>

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

**City of Wolfforth, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water, Sewer and Sanitation Fund</b>	<b>Self-Insurance Fund</b>
Cash flows from operating activities		
Cash received from customers	\$ 2,892,549	\$ -
Cash received for premiums and claims	-	264,990
Cash payments to suppliers	(1,318,303)	(276,320)
Cash payments to employees	(653,701)	-
Net cash provided (used) by operating activities	920,545	(11,330)
Cash flows from noncapital financing activities		
Transfers and interfund activity	337,852	-
Net cash provided by noncapital financing activities	337,852	-
Cash flows from investing activities		
Interest on investments	17,879	385
Net cash provided by investing activities	17,879	385
Cash flows from capital and related financing activities		
Acquisition of capital assets	(628,752)	-
Capital grants	183,309	-
Interest paid	(258,074)	-
Principal payments on bonds, loans, and notes payable	(844,876)	-
Net cash (used) by capital and related financing activities	(1,548,393)	-
Net (decrease) in cash and cash equivalents	(272,117)	(10,945)
Cash and cash equivalents - beginning of year	1,671,734	50,162
Cash and cash equivalents - end of year	\$ 1,399,617	\$ 39,217
Cash and cash equivalents		
Cash	\$ 1,233,223	\$ 39,217
Restricted cash	166,394	-
Total cash and cash equivalents	\$ 1,399,617	\$ 39,217

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

**City of Wolfforth, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2019**

	<b>Business-type Activities</b>	<b>Governmental Activities</b>
	<b>Water, Sewer and Sanitation Fund</b>	<b>Self-Insurance Fund</b>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (203,667)	\$ (11,330)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,054,995	-
Noncash pension and OPEB expense	29,887	-
Changes in assets, liabilities and deferred outflows of resources:		
Accounts receivable	(78,284)	-
Prepaid assets	1,346	-
Accounts payable	105,434	-
Accrued payroll expenses	(10,294)	-
Accrued compensated absences	1,289	-
Other current liabilities	3,190	-
Customer deposits	16,649	-
<b>Net cash provided (used) by operating activities</b>	<b>\$ 920,545</b>	<b>\$ (11,330)</b>

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

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Wolfforth, Texas (the "City") was established in 1916 under the Constitution of the State of Texas and has adopted the Home Rule Charter (Vernon's Ann. Civ. St. art. et. seq.) on July 25, 1966. The City operates under a council-manager form of government and provides the following services authorized by its charter: public safety (police, fire, and ambulance), highways and streets, sanitation, public improvements (water and sewer systems), planning and zoning, and general administrative services.

The City is a municipal corporation governed by an elected mayor and five-member council. The accompanying financial statements present the City and its discretely presented component unit, an entity for which the City is considered to be financially accountable.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

**A. *Financial Reporting Entity***

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*A. Financial Reporting Entity (Continued)*

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the City has one component unit required to be reported under GASB Statements No. 14, No. 39, No. 61, and No. 80.

Discretely Presented Component Unit

The Wolfforth Economic Development Corporation (the “EDC”) was formed to provide economic growth in the City. The governing board of the EDC is appointed by the City Council. The City has assigned one-third of its sales tax revenues to the EDC for future economic development. The EDC is reported as a discretely presented component unit in the statement of net position and statement of activities.

*B. Government-wide and Fund Financial Statements*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

*Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The government-wide financial statements (statement of net position and the statement of activities) were prepared using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary financial statements. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*. Property taxes, net of estimated refunds, are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the government-wide statement of net position, the governmental activities column (a) is presented on a consolidated basis by column, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The City’s net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*B. Government-wide and Fund Financial Statements (Continued)*

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

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

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

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

Property taxes, sales and use taxes, franchise taxes, charges for services, fines, fees and permits, fire and EMS revenue, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when the government receives payment.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

Under the requirements of GASB Statement No. 34, the City is required to present certain governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *Debt Service Fund* is used to account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

The City reports the following major proprietary fund:

The *Water, Sewer and Sanitation Fund* accounts for operation of the City water, sewer utility, and trash collection and disposal. Activities of the fund include administration, operation and maintenance of the water and sewer system, solid waste pickup, as well as billing and collection activities. The fund also accounts for the accumulation of resources for, and payment of, long-term debt principal and interest for debt. All costs are financed through charges made to utility customers.

The *Self-Insurance Fund* accounts for the resources utilized to provide limited self-insurance for the employee's health insurance. The fund receives monies from the general and water, sewer and sanitation funds to pay claims and premiums for the benefit of the employees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges and transfers between the governmental activities and the business-type activities, which cannot be eliminated.

*D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity*

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

**Receivables and Payables:** Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade and property tax receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in the water, sewer and sanitation fund that are delinquent for more than ninety days at year-end comprise the trade accounts receivable allowance for uncollectible accounts of \$9,646. The miscellaneous receivable allowance of \$24,543 is comprised of accounts aged more than ninety days.

**Property Tax:** Ad valorem property taxes are levied each October 1, in conformity with Subtitle E, Texas Property Tax Code. The taxes are levied from valuations assessed as of the prior January 1. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1. Tax liens are automatic on January 1 each year.



**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)*

**Prepaid Items:** Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items are recorded as expenditures/expenses when consumed.

**Restricted Assets:** Restricted assets consist of those funds expendable for debt service purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

**Capital Assets:** Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities columns in the government-wide financial statements and in the proprietary funds financial statements. The City defines capital assets as assets with an initial, individual cost of more than \$2,500 and an estimated useful life of one year or more. Such assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of governmental activities and proprietary funds is included as part of the capitalized value of the assets constructed.

Property, plant and equipment of the governmental activities, business-type activities and enterprise funds are depreciated using the straight-line method over the following estimated useful lives:

Building and improvements	7 - 40 years
Streets and infrastructure	25 years
Office furniture and equipment	5 - 15 years
Water and sewer system	5 - 50 years
Vehicle, equipment, and machinery	5 - 15 years
Library books and equipment	5 - 15 years

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)*

**Deferred Outflows of Resources:** In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has four types of items that qualify for reporting in this category in both the governmental and business-type activities, which arise due to the requirements of GASB 68 and 75 and relate to the net pension liability and OPEB liability. These amounts are reported as deferred outflows and amortized into pension and OPEB expense over the average remaining service life of employees. Deferred outflows related to net pension liability and OPEB liability are further detailed in notes 9 and 10, respectively. Additionally, the City has one type of item related to the refunding general obligation bond described in note 7.

**Accrued Payroll:** Accrued payroll is comprised of the payroll expenditures based on amounts earned by the employees through September 30, 2019, along with accruals for applicable fringe benefits.

**Liability for Incurred Claims:** The liability for incurred claims represents estimated claims incurred but unpaid for the employee's group medical insurance at September 30, 2019. The estimate includes claims reported as well as claims incurred but not reported at year end. The City bases its estimate on prior claims history.

**Deferred Inflows of Resources:** In addition to liabilities, the statement of net position and fund balance sheets reports separate sections for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has one type of deferred inflow which arises under the modified accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, unavailable revenue - property taxes is reported only in the governmental funds balance sheet.

In addition, the City has four types of items present on the statement of net position for both the governmental and business-type activities, which arise due to the requirements of GASB 68 and 75 and relate to the net pension liability and OPEB liability. These amounts are reported as deferred inflows and amortized into pension and OPEB expense over the average remaining service life of employees. Deferred inflows related to net pension liability and OPEB liability are further detailed in notes 9 and 10, respectively.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)*

**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 benefit terms. Investments are reported at fair value.

The City also provides its volunteer firefighters a pension which is administered through the Texas Emergency Services Retirement System (TESRS) and is accounted for in a similar manner.

**Other Post-Employment Benefits:** For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEBs, and net OPEB expense, information about the Texas Municipal Retirement System - Supplemental Death Benefit Plan 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 benefit terms. Investments are reported at fair value.

**Compensated Absences:** It is the City's policy to permit regular full-time employees to accumulate a limited amount of earned but unused vacation benefits. Benefits are accrued as follows:

<u>Length of Service</u>	<u>Annual Vacation Leave Earned</u>
1 year	80 hours
11 – 15 years	120 hours
16 – 20 years	140 hours
21 – 25 years	160 hours
Every 5 years thereafter	20 additional hours

Certified full time police officers shall receive 84 hours of vacation leave annually. Temporary employees and part-time employees do not earn vacation leave.

When an employee leaves the service of the City, he or she may be paid for any unused vacation leave in his or her account at time of separation. The rate of pay is determined by the salary rate in effect at the time of termination. Unused sick leave is canceled upon termination of employment without compensation of the employee.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)*

**Long-term Obligations:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities, business-type activities, or proprietary fund type statements of net position. For bonds issued after GASB Statement No. 34 was implemented, bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed in the year incurred. For fund financial reporting, governmental fund types recognize bond premiums, discounts, as well as issuance costs, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuances cost, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures. Insurance costs, if any, are recorded as prepaid insurance and amortized over the term of the respective bond and certificate of obligation using the straight line method.

**Fund Balance Classification Policies and Procedures:**

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

- a. **Nonspendable Fund Balance:** Includes amounts that are not in a spendable form or are required to be maintained intact. At September 30, 2019, the City had no nonspendable fund balance categorized in the governmental funds.
- b. **Restricted Fund Balance:** Includes amounts constrained for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of another government. At September 30, 2019, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$989,787 for various City programs and operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet.
- c. **Committed Fund Balance:** Includes amounts constrained to specific purposes by the City's highest decision-making authority. The City Council is the City's highest decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at the City's Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*D. Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position or Fund Equity (Continued)*

- d. *Assigned Fund Balance:* Includes amounts for which an intended use has been established by the City Council or the City Official authorized to do so by the City Council. The City Council authorizes the City Manager as the City Official responsible for the assignment of fund balance.
- e. *Unassigned Fund Balance:* All amounts not included in other spendable classifications.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the City considers restricted fund balance to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been first spent out of restricted funds, committed funds, then assigned, and finally unassigned as needed.

**Net Position:** Net position is classified as net position and displayed in three components:

- a. **Net Investment in Capital Assets:** This component consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. The City had \$405,427 of unspent bond and note proceeds as of September 30, 2019 related to the capital project fund, which are included as a component of net investment in capital assets.
- b. **Restricted Net Position:** Net position is reported as restricted when constraints placed on net position use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. **Unrestricted Net Position:** Net position that does not meet the definition of “net investment in capital assets” or “restricted.”

**Estimates:** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates for the City are management’s estimate of depreciation on assets over their estimated useful lives, the current portion of accrued compensated absences, the allowance for doubtful accounts for various types of receivables, the liability for incurred claims, and the allocation of long-term liabilities between the governmental and business-type activities. Actuarial estimates are included in the calculation of net pension liability, net OPEB liability, and related pension and OPEB amounts.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

The City operates on a twelve-month fiscal year which begins on October 1. The City Manager is the budget officer and submits a budget of estimated revenues and expenditures to the City Council. Upon receipt of the budget estimates the City Council holds a budget workshop and a public budget hearing. Prior to October 1, the budget is legally enacted through approval by the City Council. Once approved, the Council may amend the legally adopted budget by a majority vote when unexpected modifications are required in estimated revenues and appropriations. In addition to the legally adopted budget the Council approves payment of expenditures at each monthly Council meeting.

Governmental fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Proprietary fund budgets are also prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year and include debt principal retirements and capital outlays as expenses.

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. The legal level of control is the total expenditures of the budgeted funds. Expenditures may not exceed appropriations at the total levels. Within these control levels, management may transfer appropriations between line items without Council approval.

The accompanying statement of revenues, expenditures and changes in fund balance – budget (GAAP basis) and actual present comparisons of the legally adopted budget with actual data on the modified accrual basis.

Excess Expenditures over Budget

At fiscal year-end, the City exceeded its budget in the following funds:

	Final Budget	Actual Expenditures	Over-Expenditure Variance
General Fund	\$ 3,647,343	\$ 4,464,534	\$ (817,191)

**NOTE 3: DEPOSITS AND INVESTMENTS**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be fully collateralized by U.S. Government obligations or obligations of the State of Texas, and its agencies. The market value of pledged collateral must fully cover uninsured deposits. The City's and the component unit's deposits were fully secured at the balance sheet date by FDIC coverage and pledged securities as of September 30, 2019.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

**Reconciliation of Cash and Cash Equivalents**

**City of Wolfforth:**

Cash and cash equivalents	\$	3,084,434
Restricted cash and cash equivalents		166,844
<b>Total cash and cash equivalents</b>		<b>3,251,278</b>

Plus: outstanding checks		252,197
Less: outstanding deposits		(12,519)
Less: petty cash		(200)
<b>Bank balance of deposits</b>	<b>\$</b>	<b>3,490,756</b>

**Economic Development Corporation:**

Cash and cash equivalents	\$	883,196
Restricted cash and cash equivalents		-
<b>Total cash and cash equivalents</b>		<b>883,196</b>

Plus: outstanding checks		190
<b>Bank balance of deposits</b>	<b>\$</b>	<b>883,386</b>

**Investments**

*Custodial Credit Risk – Deposits.* Custodial credit risk is the risk that in the event of a bank or financial institution failure, the City’s investments may not be returned to it. The City minimizes this risk by investing in certificates of deposit, which are fully insured or collateralized in the TexPool investment pool, which is rated AAAM by Standards & Poor’s.

TexPool is a local government investment pool organized under the authority of the Interlocal Cooperation Act Chapter 791, Texas Government Code, and the Public Funds Investment Act, Chapter 2256, Texas Government Code. All investments of the TexPool are stated at amortized cost, which approximates the market value of the securities. The objective of TexPool is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by the State of Texas.

Credit Risk- Investments: The City controls credit risk by limiting its investments to those described above, which are permitted by the Texas Public Funds Investment Act.

Interest Rate Risk – Investments: The City manages interest rate risk by diversifying its portfolio and limiting its investments to the relatively low risk investments described above.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 3: DEPOSITS AND INVESTMENTS (Continued)**

The City's investments at September 30, 2019 include the following:

<b>Investment</b>	<b>Credit Rating</b>	<b>Average Maturities</b>	<b>Balance at September 30, 2018</b>	
City of Wolfforth				
Tex-Pool	AAAm	34 days	\$	1,563
<b>Total investments</b>			<b>\$</b>	<b>1,563</b>

**Fair Value Measurement**

All of the City's investments are either checking accounts or external investment pools, which are not subject to fair value measurement in accordance with GASB 72.

**NOTE 4: RECEIVABLES**

Receivables as of September 30, 2019, are as follows:

**Governmental Activities:**

	<b>General Fund</b>	<b>Debt Service Fund</b>	<b>Total</b>
Property taxes	\$ 64,828	\$ 24,339	\$ 89,167
Other taxes:			
Sales taxes	127,845	-	127,845
EMS fees	141,962	-	141,962
Miscellaneous	32,459	-	32,459
Less allowance for doubtful accounts:			
Property taxes	(9,646)	-	(9,646)
Miscellaneous	(24,543)	-	(24,543)
<b>Totals</b>	<b>\$ 332,905</b>	<b>\$ 24,339</b>	<b>\$ 357,244</b>



**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 4: RECEIVABLES (Continued)**

**Business-Type Activities:**

	<b>Water, Sewer and Sanitation Fund</b>
Accounts receivable	\$ 770,199
Less: Allowance for doubtful accounts	(427,332)
Totals	\$ 342,867

**Economic Development Corporation:**

	<b>Wolfforth Economic Development Corporation</b>
Sales taxes	\$ 61,316
Notes receivable	113,763
Totals	\$ 175,079

The EDC has issued various notes receivable to aid local economic growth. The terms of the notes include provisions for interest at 0-3% per annum with repayment periods of between 10-16 years. Total payments on notes receivable received for the year ended September 30, 2019 were \$59,841.

**NOTE 5: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The composition of interfund balances for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

<b>Due from</b>	<b>Due to</b>	<b>Amount</b>
Debt Service Fund	General Fund	\$ 7,768
Debt Service Fund	Water, Sewer and Sanitation Fund	7,368
Total	Total	\$ 15,136

The composition of interfund transfers for the City's individual major funds and nonmajor funds at September 30, 2019, is as follows:

<b>Transfer In</b>	<b>Transfer Out</b>	<b>Amount</b>
Water, Sewer and Sanitation Fund	Debt Service Fund	\$ 287,104
Water, Sewer and Sanitation Fund	Economic Development Corp.	58,116
Total	Total	\$ 345,220

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 6: CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended September 30, 2019. Land and Construction in Progress are not subject to depreciation.

**Governmental Activities:**

	Beginning Balance 10/1/18	Additions	Deletions	Restatement (Note 15)	Ending Balance 9/30/19
Capital assets not being depreciated:					
Land	\$ 403,537	\$ -	\$ -	\$ -	\$ 403,537
Construction in Progress	44,071	-	-	(44,071)	-
<b>Total non-depreciable assets</b>	<b>447,608</b>	<b>-</b>	<b>-</b>	<b>(44,071)</b>	<b>403,537</b>
Capital assets being depreciated:					
Buildings and improvements	4,039,262	47,049	-	-	4,086,311
Streets and infrastructure	4,859,092	123,777	-	-	4,982,869
Office furniture and equipment	229,423	4,882	-	-	234,305
Vehicles, equipment, and machinery	4,335,125	1,133,208	-	-	5,468,333
Library books and equipment	325,458	51,608	(40,813)	-	336,253
<b>Total capital assets being depreciated</b>	<b>13,788,360</b>	<b>1,360,524</b>	<b>(40,813)</b>	<b>-</b>	<b>15,108,071</b>
<b>Total capital assets</b>	<b>14,235,968</b>	<b>1,360,524</b>	<b>(40,813)</b>	<b>(44,071)</b>	<b>15,511,608</b>
Accumulated depreciation:					
Buildings and improvements	1,565,615	99,718	-	-	1,665,333
Streets and infrastructure	3,805,264	167,184	-	-	3,972,448
Office furniture and equipment	200,838	8,959	-	-	209,797
Vehicles, equipment, and machinery	2,976,741	358,463	-	-	3,335,204
Library books and equipment	245,003	26,268	(40,813)	-	230,458
<b>Total accumulated depreciation</b>	<b>8,793,461</b>	<b>660,592</b>	<b>(40,813)</b>	<b>-</b>	<b>9,413,240</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 5,442,507</b>	<b>\$ 699,932</b>	<b>\$ -</b>	<b>\$ (44,071)</b>	<b>\$ 6,098,368</b>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 6: CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended September 30, 2019 was charged to the functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 109,347
Public safety	344,853
Public works	180,124
Culture and recreation	26,268
<b>Total depreciation expense - governmental activities</b>	<b>\$ 660,592</b>

**Business-type Activities:**

	<b>Beginning Balance 10/1/18</b>	<b>Additions</b>	<b>Deletions</b>	<b>Ending Balance 9/30/19</b>
<b>Non-depreciable assets:</b>				
Land	\$ 486,270	\$ 10,000	\$ -	\$ 496,270
Construction in Progress	-	21,400	-	21,400
<b>Total non-depreciable assets</b>	<b>486,270</b>	<b>31,400</b>	<b>-</b>	<b>517,670</b>
<b>Depreciable assets:</b>				
Buildings	257,903	-	-	257,903
Water and sewer system	19,485,231	573,622	-	20,058,853
Vehicles, equipment, and machinery	1,018,798	23,730	-	1,042,528
<b>Total capital assets being depreciated</b>	<b>20,761,932</b>	<b>597,352</b>	<b>-</b>	<b>21,359,284</b>
<b>Total capital assets</b>	<b>21,248,202</b>	<b>628,752</b>	<b>-</b>	<b>21,876,954</b>
<b>Accumulated depreciation:</b>				
Buildings and improvements	205,070	7,137	-	212,207
Improvements other than buildings	7,276,704	953,733	-	8,230,437
Infrastructure	608,298	94,125	-	702,423
<b>Total accumulated depreciation</b>	<b>8,090,072</b>	<b>1,054,995</b>	<b>-</b>	<b>9,145,067</b>
<b>Business-type activities capital assets, net</b>	<b>\$ 13,158,130</b>	<b>\$ (426,243)</b>	<b>\$ -</b>	<b>\$ 12,731,887</b>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 6: CAPITAL ASSETS (Continued)**

Depreciation expense for business-type activities is reported in the following fund on the statement of revenues, expenses, and changes in net position.

Business-type activities:

Water, sewer and sanitation	\$ 1,054,995
<b>Total depreciation expense -business-type activities</b>	<b>\$ 1,054,995</b>

**NOTE 7: LONG-TERM LIABILITIES**

**Governmental Activities:**

The governmental activities have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. During the year ended September 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	<b>Balance</b>				<b>Balance</b>	<b>Due Within</b>
	<b>October 1, 2018</b>	<b>Additions</b>	<b>Retirements</b>		<b>September 30, 2019</b>	<b>One Year</b>
Certificates of obligation	\$ 1,430,000	\$ -	\$ 125,000		\$ 1,305,000	\$ 130,000
Refunding bonds	475,000	-	32,103		442,897	33,414
Tax notes	776,620	-	195,640		580,980	159,100
Capital leases	166,319	750,000	39,328		876,991	103,423
Compensated absences	16,784	41,706	34,870		23,620	23,620
<b>Total</b>	<b>\$ 2,864,723</b>	<b>\$ 791,706</b>	<b>\$ 426,941</b>		<b>\$ 3,229,488</b>	<b>\$ 449,557</b>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities: (Continued)**

**Certificates of obligation:**

At September 30, 2019, the City had one certificate of obligation as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance
Certificate of Obligation Series 2010	09/15/10	02/15/32	2.30-4.15%	\$ 2,090,000	\$ 1,305,000

The annual requirements to amortize the certificate of obligation as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	\$ 130,000	\$ 44,323	\$ 174,323
2021	130,000	40,325	170,325
2022	140,000	36,070	176,070
2023	145,000	31,438	176,438
2024	150,000	26,495	176,495
2025-2029	280,000	91,844	371,844
2030-2032	330,000	27,110	357,110
	<u>\$ 1,305,000</u>	<u>\$ 297,605</u>	<u>\$ 1,602,605</u>

**GO Refunding Bond:**

At September 30, 2019, the City had one general obligation refunding bond as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$ 4,190,000	\$ 442,897

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities: (Continued)**

**GO Refunding Bond: (Continued)**

The annual requirements to amortize the general obligation refunding bonds as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	\$ 33,414	\$ 10,501	\$ 43,915
2021	33,414	9,833	43,247
2022	34,069	9,158	43,227
2023	35,379	8,463	43,842
2024	36,034	7,749	43,783
2025-2029	186,724	25,690	212,414
2030-2031	83,863	2,536	86,399
	<u>\$ 442,897</u>	<u>\$ 73,930</u>	<u>\$ 516,827</u>

**Tax Notes:**

At September 30, 2019, the City had three tax notes as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance
Tax Note Series 2013	09/15/13	02/15/20	1.69%	\$ 580,000	\$ 38,540
Tax Note Series 2015	09/15/15	02/15/22	1.80%	711,000	123,240
Tax Note Series 2017B	08/01/17	02/15/24	2.00%	1,020,000	419,200

The annual requirements to amortize the tax notes as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	\$ 159,100	\$ 13,555	\$ 172,655
2021	121,080	10,095	131,175
2022	124,800	6,902	131,702
2023	86,400	3,984	90,384
2024	89,600	1,344	90,944
	<u>\$ 580,980</u>	<u>\$ 35,880</u>	<u>\$ 616,860</u>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Governmental Activities: (Continued)**

**Capital Leases:**

At September 30, 2019, the City had two capital leases as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance
Fire Truck Lease WOLTX2018-11PB	04/25/18	04/25/22	3.72%	\$ 211,840	\$ 126,991
Ambulance Lease 62368	11/30/18	11/30/28	2.25%	750,000	750,000

The annual requirements to amortize the capital leases as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	\$ 103,423	\$ 34,309	\$ 137,732
2021	107,413	30,320	137,733
2022	111,555	26,177	137,732
2023	70,337	21,873	92,210
2024	73,111	19,099	92,210
2025-2029	411,152	49,902	461,054
	<u>\$ 876,991</u>	<u>\$ 181,680</u>	<u>\$ 1,058,671</u>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business Type Activities:**

The business-type activities have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. During the year ended September 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance October 1, 2018	Additions	Retirements	Balance September 30, 2019	Due Within One Year
Certificates of obligation	\$ 6,605,000	\$ -	\$ 360,000	\$ 6,245,000	\$ 365,000
Refunding bonds	3,150,000	-	212,897	2,937,103	221,586
Tax notes	1,247,380	-	261,360	986,020	243,900
Compensated absences	10,894	22,637	21,348	12,183	12,183
<b>Total</b>	<b>\$ 11,013,274</b>	<b>\$ 22,637</b>	<b>\$ 855,605</b>	<b>\$ 10,180,306</b>	<b>\$ 842,669</b>

**Certificates of Obligation:**

At September 30, 2019, the City had two certificates of obligation as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance
Certificate of Obligation Series 2013	05/01/13	02/15/33	1.00-3.00%	\$ 6,625,000	\$ 4,905,000
Certificate of Obligation Series 2017A	08/01/17	02/15/37	2.00%	1,445,000	1,340,000



**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business Type Activities: (Continued)**

**Certificates of Obligation: (Continued)**

The annual requirements to amortize the certificate of obligation as of September 30, 2019, including interest payments, are as follows:

<b>Fiscal Year Ending September 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2020	\$ 365,000	\$ 155,363	\$ 520,363
2021	365,000	149,588	514,588
2022	370,000	143,775	513,775
2023	385,000	137,000	522,000
2024	390,000	129,250	519,250
2025-2029	2,100,000	493,525	2,593,525
2030-2034	1,995,000	169,575	2,164,575
2035-2037	275,000	12,525	287,525
	<b>\$ 6,245,000</b>	<b>\$ 1,390,601</b>	<b>\$ 7,635,601</b>

**General Obligation Refunding Bonds:**

At September 30, 2019, the City had one general obligation refunding bond as follows:

<b>Description</b>	<b>Date of Issue</b>	<b>Due Date</b>	<b>Interest Rate</b>	<b>Original Amount of Issue</b>	<b>Remaining Balance</b>
GO Refunding Bond Series 2015	10/15/15	02/15/31	2.00-3.00%	\$ 4,190,000	\$ 2,937,103

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business Type Activities: (Continued)**

**General Obligation Refunding Bonds: (Continued)**

The annual requirements to amortize the general obligation refunding bond as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	\$ 221,586	\$ 69,637	\$ 291,223
2021	221,586	65,205	286,791
2022	225,931	60,730	286,661
2023	234,621	56,125	290,746
2024	238,966	51,389	290,355
2025-2029	1,238,276	170,366	1,408,642
2030-2031	556,137	16,814	572,951
	<u>\$ 2,937,103</u>	<u>\$ 490,266</u>	<u>\$ 3,427,369</u>

**Tax Notes:**

At September 30, 2019, the City had five tax notes as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Remaining Balance
Tax Note Series 2013	09/15/13	02/15/20	1.69%	\$ 580,000	\$ 8,460
Tax Note Series 2015	09/15/15	02/15/22	1.80%	711,000	113,760
Tax Note Series 2016	01/15/16	02/15/23	1.90%	680,000	404,000
Tax Note Series 2016A	02/15/16	02/15/23	1.64%	380,000	224,000
Tax Note Series 2017B	08/01/17	02/15/24	2.00%	1,020,000	235,800

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 7: LONG-TERM LIABILITIES (Continued)**

**Business Type Activities: (Continued)**

**Tax Notes: (Continued)**

The annual requirements to amortize the tax notes as of September 30, 2019, including interest payments, are as follows:

Fiscal Year Ending September 30,	Principal	Interest	Total Debt Service
2020	\$ 243,900	\$ 18,149	\$ 262,049
2021	238,920	13,258	252,178
2022	243,200	8,357	251,557
2023	209,600	3,696	213,296
2024	50,400	756	51,156
	<u>\$ 986,020</u>	<u>\$ 44,216</u>	<u>\$ 1,030,236</u>

Water and Sewer Revenue Bonds constitute special obligations of the City solely secured by a lien on and pledge of the net revenues of the water and sewer system. The Revenue Bonds are collateralized by the revenue of the water and sewer system. The bond ordinances provide that the revenue of the system is to be used first to pay operating and maintenance expenses of the system and second to establish and maintain the Revenue Bond funds.

General Obligation Bonds are direct obligations issued on a pledge of the general taxing power for the payment of the debt obligations of the City. General Obligation Bonds and Certificates of Obligation require the City to compute, at the time other taxes are levied, the rate of tax required to provide (in each year bonds are outstanding) a fund to pay interest and principal at maturity. Certain General Obligation Certificates of Obligation are to be repaid by revenues of the Enterprise Fund. Enterprise Fund General Obligation Certificates of Obligation are secured both by a pledge of ad valorem taxes levied on all taxable property within the City and by a lien on and pledge of revenues to be generated by the Enterprise Fund.

**Accrued Compensated Absences**

Employees of the City are able to accrue a limited amount of vacation time during the year. During the fiscal year ended September 30, 2019, compensated absences increased by \$6,836 and \$1,289 for the governmental and business-type activities, respectively. Compensated absences are liquidated by the respective funds in which they are accrued.

**NOTE 8: RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The City entered into an agreement with the Texas Municipal League (TML-IRP) for risk management services. These services include a sharing of risk pool, claims administration and loss control services.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 8: RISK MANAGEMENT (Continued)**

All risk is then shared among members of the pool. Members of the pool are not subject to additional assessments in the event losses exceed contributions. There have been no significant reductions in coverage during the fiscal year ended September 30, 2019 and the amount of settlements during the past three years has not exceeded the insurance coverage.

The City participates in the Texas Municipal League Joint Self-Insurance Fund for workers compensation coverage. The Texas Municipal League Joint Self-Insurance Fund assesses its members a contribution or premium based on a funding plan developed by the account for workers' compensation. The plan has a stop loss of \$100,000 per occurrence and overall aggregate stop loss of \$300,000 per year for the City. All risk is shared among members of the pool. Members of the pool are not subject to additional assessments in the event losses exceed contributions. Premiums are expensed by the insurance fund when incurred.

There has been no reduction in coverage and the amount of settlements during the past three years has not exceeded the insurance coverage.

The City has established a Self-Insurance Fund (an internal service fund) to account for and finance its uninsured risks of loss related to employee health claims. Under this program, the Fund provides coverage up to a maximum of \$50 thousand for each claim. The Fund purchases commercial insurance for claims in excess of this coverage. Settled claims have not exceeded commercial coverage in any of the last three fiscal years.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors.

The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

Changes in the balances of claims liabilities during the past two years are as follows:

	September 30, 2019	September 30, 2018
Unpaid claims and claim adjustment expenses, beginning	\$ 9,094	\$ 9,481
Incurred claims and claim adjustment	81,918	52,968
Claims and claim adjustment expenses	(81,918)	(53,355)
Unpaid claims and claim adjustment expenses, ending	\$ 9,094	\$ 9,094

**NOTE 9: DEFINED BENEFIT PENSION PLANS**

***Texas Municipal Retirement System (TMRS)***

Plan Description

The City participates as one of 887 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401 (a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.tmr.com](http://www.tmr.com).

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

Benefits Provided

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

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

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

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	17
Active employees	28
<u>Total</u>	<u>51</u>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

Contributions

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

Employees for the City were required to contribute 5% of their annual gross earnings during the fiscal year. The contribution rates for the City were 11.39% and 11.29% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were \$177,779, and were equal to the required contributions.

Net Pension Liability

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

*Actuarial Assumptions:*

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. These rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disable 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, 2018, valuation were based on results of actuarial experience studies. The experience study in TMRS was for the period 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. 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). The target allocation and best estimates of real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-term expected rate of return (Arithmetic)</b>
Domestic equity	17.50%	4.55%
International equity	17.50%	6.35%
Core fixed income	10.00%	1.00%
Non-core fixed income	20.00%	4.15%
Real return	10.00%	4.15%
Real estate	10.00%	4.75%
Absolute return	10.00%	4.00%
Private equity	5.00%	7.75%
Total	100.00%	

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

*Discount Rate*

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

*Changes in the Net Pension Liability*

	Increase (Decrease)		
	Total pension liability (a)	Plan fiduciary net position (b)	Net pension liability (a) - (b)
Balance at 12/31/2017	\$ 3,906,360	\$ 3,115,469	\$ 790,891
Changes for the year:			
Service cost	166,199	-	166,199
Interest	266,386	-	266,386
Change of benefit terms	-	-	-
Difference between expected/actual experience	62,641	-	62,641
Changes of assumptions	-	-	-
Contributions - employer	-	155,885	(155,885)
Contributions - employee	-	69,540	(69,540)
Net investment income	-	(93,367)	93,367
Benefit payments, including refunds of employee contributions	(86,005)	(86,005)	-
Administrative expense	-	(1,804)	1,804
Other changes	-	(95)	95
<b>Net changes</b>	<b>409,221</b>	<b>44,154</b>	<b>365,067</b>
Balance at 12/31/2018	\$ 4,315,581	\$ 3,159,623	\$ 1,155,958



**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

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

	<b>1% Decrease in Discount Rate (5.75%)</b>	<b>Discount Rate (6.75%)</b>	<b>1% Increase in Discount Rate (7.75%)</b>
City's net pension liability	\$ 1,775,396	\$ 1,155,958	\$ 647,135

*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.tmr.com](http://www.tmr.com).

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

For the year ended September 30, 2019, the City recognized pension expense of \$240,502.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual economic experience	\$ 89,148	\$ -
Changes in actuarial assumptions	-	3,607
Difference between projected and actual investment earnings	162,011	-
Contributions subsequent to the measurement date	132,705	-
Total TEMRS	\$ 383,864	\$ 3,607

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Municipal Retirement System (TMRS) (Continued)***

\$132,705 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

	<b>TMRS</b>
Year ending September 30:	
2019	\$ 79,840
2020	46,438
2021	40,554
2022	75,234
2023	5,486
Thereafter	-
Total	\$ 247,552

***Texas Emergency Services Retirement System (TESRS)***

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

TESRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TESRS; the report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained at [www.tesrs.org](http://www.tesrs.org).

Benefits Provided

Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefits formulas and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this monthly benefit is increased at the rate of 6.2% compounded annually. There is no provision for automatic postretirement benefit increases.

On and off-duty death benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse and dependent children.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities. The State is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018 actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions are set by board rule, and there is no maximum contribution rate. For the fiscal year ended September 30, 2019, total contributions (dues, prior service, and interest on prior service financing) of \$8,997 were paid into TESRS by the City. This was equal to the required contributions for the period.

The purpose of the biennial actuarial valuation is to determine if the contribution arrangement is adequate to pay the benefits that are promised. Actuarial assumptions are disclosed below.

The most recent completed biennial actuarial valuation as of August 31, 2018 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one-third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately \$725,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The System's net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018.

	<b>System 100.00%</b>	<b>City 0.233%</b>
Total pension liability	\$ 137,514,345	\$ 320,408
Plan fiduciary net position	115,863,894	269,962
Net pension liability	\$ 21,650,451	\$ 50,446
Plan fiduciary net position as a percentage of the total pension liability		84.3%

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

*Actuarial Assumptions*

The total pension liability in the August 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3%
Salary increases	N/A
Investment rate of return	7.75% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components 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 (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.26% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Class</b>	<b>Target allocation</b>	<b>Long-term expected rate of return (arithmetic)</b>
Equities		
Large cap domestic	32%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	0%	0.00%
<b>Total / Weighted Average</b>	<b>100%</b>	<b>5.01%</b>

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

*Discount Rate*

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2018 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the net pension liability of the City, calculated using the discount rate of 7.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	<b>1% Decrease in Discount Rate (6.75%)</b>	<b>Discount Rate (7.75%)</b>	<b>1% Increase in Discount Rate (8.75%)</b>
City's proportional share of the net pension liability	\$ 100,251	\$ 50,446	\$ 16,853

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

At August 31, 2018, the City reported a liability of \$50,446 for its proportionate share of the TESRS's net pension liability. The net pension liability was measured as of August 31, 2018. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability (0.233%) was based on the District's contributions to the pension plan relative to the contribution of all employers to the plan for the period September 1, 2017 through August 31, 2018.

For the year ended September 30, 2019, the City recognized pension expense of \$6,497.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 9: DEFINED BENEFIT PENSION PLANS (Continued)**

***Texas Emergency Services Retirement System (TESRS) (Continued)***

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 14	\$ -
Changes in actuarial assumptions	189	-
Difference between projected and actual experience	-	145
Net difference between projected and actual investment earnings on pension plan investments	-	2,788
Contributions subsequent to the measurement date	8,997	-
<b>Total TESRS</b>	<b>\$ 9,200</b>	<b>\$ 2,933</b>

\$8,997 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, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

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

<b>TESRS</b>	
Year ending September 30:	
2019	3,250
2020	(1,809)
2021	(2,662)
2022	(1,509)
<b>Total</b>	<b>(2,730)</b>

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS**

***Plan Description and Benefits***

The City also participates in a single-employer, defined benefit group-term life insurance known as the Supplemental Death Benefits Fund (SDBF) administered by the Texas Municipal Retirement System (TMRS). This is a voluntary program in which the City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered another postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

***Employees covered by benefit terms***

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active employees	28
Total	35

**Contributions**

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Employees for the City of Wolfforth, TX were required to contribute 0.02% of their annual gross earnings during the fiscal year. The contribution rates for the City were 0.18% and 0.19% in calendar 2018 and 2019, respectively. The City's contributions to SBDF for the year ended September 30, 2019 were \$2,995 and were equal to the required contributions.



**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

OPEB Liability

*Actuarial Assumptions:*

Inflation	2.50%
Salary increases	3.5% to 10.5% including inflation
Discount rate*	3.71
Retirees' share of benefit-related costs	\$ -
Administrative expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality rates - service retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female multiplied by 103% and projected on a fully generational basis with scale BB.
Mortality rates - disabled retirees	RP2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. The rates are projected on a fully generational basis with scale BB to account for future mortality improvements subject to the 3% floor.

*\*Discount Rate*

The discount rate used to measure the total OPEB liability was 3.71%. Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

*Changes in the Net OPEB Liability*

	<b>Total OPEB Liability (a)</b>
Balance at 12/31/2017	\$ 42,731
Changes for the year:	
Service cost	2,921
Interest	1,458
Change of benefit terms	-
Difference between expected/actual experience	34,956
Changes of assumptions	(3,190)
Benefit payments, including refunds of employee contributions	(278)
Net changes	35,867
Balance at 12/31/2018	\$ 78,598

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

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

	<b>1% Decrease in Discount Rate (2.71%)</b>	<b>Discount Rate (3.71%)</b>	<b>1% Increase in Discount Rate (4.71%)</b>
City's net OPEB liability	\$ 87,058	\$ 78,598	\$ 71,993

*OPEB Plan Fiduciary Net Position*

Detailed information about the OPEB plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmr.com](http://www.tmr.com).

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)**

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

For the year ended September 30, 2019 the City recognized OPEB expense of \$5,665.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 30,619	\$ -
Changes in actuarial assumptions	2,416	2,794
Contributions subsequent to the measurement date	2,271	-
<b>Total OPEBs</b>	<b>\$ 35,306</b>	<b>\$ 2,794</b>

\$2,271 reported as deferred outflows of resources related to OPEBs resulted from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

<b>OPEB</b>	
Year ending September 30:	
2019	\$ 4,340
2020	4,340
2021	4,340
2022	4,340
2023	4,340
Thereafter	8,541
<b>Total</b>	<b>\$ 30,241</b>

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contributions to the TMRS SDBF for the year ended 2019 was \$2,271, which equaled the required contributions each year.

**NOTE 11: CONTINGENT LIABILITIES**

The City is exposed to various claims and lawsuits in the normal course of business. Management are unaware of any material pending or threatened litigation, claims, or assessments against the City, which are not covered by the City's insurance.

In the normal course of operations the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

**NOTE 12: RESTRICTED COMPONENTS OF NET POSITION**

The government-wide statement of net position reports \$989,787 of restricted net position, all of which is restricted by enabling legislation or other methods.

**NOTE 13: SUBSEQUENT EVENTS**

Subsequent events were evaluated through March 23, 2020, which is the date the financial statements were available to be issued.

The City issued general obligation refunding bonds, series 2020 on February 1, 2020 in the amount of \$1,095,000 with an interest rate of 4% and maturity at February 15, 2027.

The City issued tax notes, series 2020 on February 1, 2020 in the amount of \$1,435,000 with an interest rate of 5% and a maturity date of February 15, 2027.

On March 23, 2020 the City issued a state of emergency in relation to the COVID-19 pandemic. The financial implications are unknown.

**NOTE 14: COMMITMENTS**

The City has an outstanding construction project related to connecting to the Lubbock emergency water line. The total remaining cost to complete the project was \$453,010 as of September 30, 2019.

**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 15: RECLASSIFICATION/RESTATEMENT OF FUND BALANCE/NET POSITION**

Fund balance and net position were reclassified and/or restated due to the creation of a Capital Projects Fund, accruing receivables and revenues, recording pension related deferred items, and recording the Self-Insurance Fund (ISF) in the governmental activities.

	General Fund	Capital Projects Fund	Total Governmental Funds
Fund balance, beginning of year	\$ 1,547,138	\$ -	\$ 2,031,449
Sales tax receivables not accrued in 2018	208,741	-	208,741
Creation of Capital Projects Fund	(606,317)	606,317	-
Fund balance, beginning of year, as restated	\$ 1,149,562	\$ 606,317	\$ 2,240,190

	Governmental Activities	Business-type Activities	Total
Net position, beginning of year	\$ 4,131,013	\$ 3,498,710	\$ 7,629,723
Properly accrue receivables and revenue	208,741	-	208,741
Restatement related to removing construction in progress	(44,071)	-	(44,071)
Properly record pension of ISF in governmental activities	16,475	(16,475)	-
Properly record pension deferred items	4,234	-	4,234
Net position, beginning of year, as restated	\$ 4,316,392	\$ 3,482,235	\$ 7,798,627

**NOTE 16: SUBSEQUENT PRONOUNCEMENTS**

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was issued. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.



**City of Wolfforth, Texas**  
**Notes to Financial Statements**  
**September 30, 2019**

**NOTE 16: SUBSEQUENT PRONOUNCEMENTS (Continued)**

In June 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No.14 and No. 61*, was issued. Effective Date: The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2020, GASB Statement No. 92, *Omnibus 2020*, was issued. The requirements of this statement are effective periods beginning after June 15, 2020. Earlier application is encouraged and is permitted by topic. The City is still evaluating how this pronouncement will affect the financial statements.

**APPENDIX C**

FORM OF BOND COUNSEL'S OPINION

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

**CITY OF WOLFFORTH, TEXAS  
TAX AND WATERWORKS AND SEWER SYSTEM REVENUE  
CERTIFICATES OF OBLIGATION, SERIES 2020  
DATED JUNE 30, 2020  
IN THE AGGREGATE PRINCIPAL AMOUNT OF \$4,635,000**

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AS BOND COUNSEL FOR THE CITY OF WOLFFORTH, TEXAS (the "Issuer") in connection with the issuance of the Tax and Waterworks and Sewer System (Limited Pledge) Revenue Certificates of Obligation, Series 2020, described above (the "Certificates of Obligation"), we have examined into the legality and validity of the Certificates of Obligation, which bear interest from the dates and mature and are subject to redemption on the dates, in accordance with the terms and conditions stated in the text of the Certificates of Obligation. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Certificates of Obligation (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 of the Certificates of Obligation, including one of the executed Certificates of Obligation (Certificate of Obligation Number T-1).

BASED ON SAID EXAMINATION, IT IS OUR OPINION that the Certificates of Obligation have been duly authorized, issued, and delivered in accordance with law, and that the Certificates of Obligation, except as may be limited by laws applicable to the Issuer relating to principles of governmental immunity, bankruptcy, reorganization and other similar matters affecting creditors' rights generally or by general principles of equity which permit the exercise of judicial discretion, 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 Certificates of Obligation have been levied and pledged for such purpose, within the limit prescribed by law, and that the Certificates of Obligation are additionally secured by and payable from a pledge of surplus revenues of the Issuer's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the Issuer's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the Issuer's waterworks and sewer system, as provided in the Ordinance.





IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Certificates of Obligation is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings, and court decisions existing on the date of this opinion. We are further of the opinion that the Certificates of Obligation are not "specified private activity bonds" and that, accordingly, interest on the Certificates of Obligation will not be included as an individual or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Certificates of Obligation and the use of the property financed therewith. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Certificates of Obligation may become includable in gross income retroactively to the date of issuance of the Certificates of Obligation.

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 Certificates, including the amount, accrual or receipt of interest on, the Certificates. Owners of the Certificates should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Certificates.

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

OUR SOLE ENGAGEMENT in connection with the issuance of the Certificates is as Bond Counsel for the Issuer, and, in that capacity, we have been engaged by the Issuer for the sole purpose of rendering our opinions with respect to the legality and validity of the Certificates under the Constitution and laws of the State of Texas, and with respect to the exclusion from gross income of the interest on the Certificates 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 Certificates, and have not assumed any responsibility with respect thereto. We express no opinion and make no comment with respect to the marketability of the Certificates 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, and the sufficiency of the pledged revenues of, the Issuer. Our role in connection with the Issuer's Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.



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 Certificates. 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 Certificates as includable in gross income for federal income tax purposes.

Respectfully,



**SPECIALIZED PUBLIC FINANCE INC.**  
FINANCIAL ADVISORY SERVICES