OFFICIAL STATEMENT

Dated September 29, 2020

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

(See "Other Information - Ratings")

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel, interest on the Bonds 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 BONDS ***HAVE BEEN*** DESIGNATED AS
"QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$2,355,000
CITY OF HENRIETTA, TEXAS
(Clay County)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

Dated Date: October 15, 2020 **Due: February 15, as shown on page 2**
(Interest accrues from Delivery Date)

PAYMENT TERMS . . . Interest on the $2,355,000 City of Henrietta, Texas, General Obligation Refunding Bonds, Series 2020 (the "Bonds") will accrue from the date of initial delivery to the Underwriter shown below, 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 Bonds will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "THE BONDS - Book-Entry-Only System" herein. The initial Paying Agent/Registrar is UMB Bank N.A., Dallas, Texas (see "THE BONDS - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . . The Bonds are issued pursuant to the Constitution and general laws of the State of Texas, (the "State") including particularly, Texas Government Code, Chapter 1207, as amended, and are direct obligations of the City of Henrietta, Texas (the "City"), payable from a continuing ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the ordinance authorizing the Bonds (the "Bond Ordinance"). In the Bond Ordinance adopted on May 11, 2020 the City Council delegated to an officer of the City, pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale were included in a "Pricing Certificate," executed on September29, 2020, which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance") (see "THE BONDS - Authority for Issuance").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt set forth in Schedule I attached hereto, in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose").

MUNICIPAL BOND INSURANCE . . . The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM"). See "MUNICIPAL BOND INSURANCE" and "BOND INSURANCE RISKS" herein.

CUSIP PREFIX: 426200
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Bonds 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 Bonds will be available for delivery through DTC on November 4, 2020.

SAMCO CAPITAL

MATURITY SCHEDULE **CUSIP Prefix: 426200** [1]

$795,000 Serial Bonds

Principal Amount	Maturity (February 15)	Interest Rate	Initial Yield	CUSIP[1]
$ 175,000	2021	3.000%	0.260%	426200CG4
120,000	2022	3.000%	0.350%	426200CH2
120,000	2023	3.000%	0.400%	426200CJ8
125,000	2024	3.000%	0.500%	426200CK5
125,000	2025	3.000%	0.600%	426200CL3
130,000	2026	3.000%	0.700%	426200CM1

(Interest to accrue from date of delivery)

$1,560,000 Term Bonds

$275,000 3.000% Term Bonds Maturing February 15, 2028, Priced to Yield 0.950%, CUSIP[1]: 426200CP4
$295,000 3.000% Term Bonds Maturing February 15, 2030, Priced to Yield 1.150%, CUSIP[1]: 426200CR0
$310,000 3.000% Term Bonds Maturing February 15, 2032, Priced to Yield 1.300%[2], CUSIP[1]: 426200CT6
$325,000 3.000% Term Bonds Maturing February 15, 2034, Priced to Yield 1.380%[2], CUSIP[1]: 426200CV1
$355,000 3.000% Term Bonds Maturing February 15, 2036, Priced to Yield 1.480%[2], CUSIP[1]: 426200CX7

(Interest to accrue from the date of delivery)

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(1) CUSIP numbers are included solely for the convenience of owners of the Bonds. CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by Standard & Poor's Financial Services LLC 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. Neither the City, the Financial Advisor nor the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.
(2) Yield calculated based on the assumption that the Bonds will be called on the first optional call date, February 15, 2030, at par.

Optional Redemption . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Bonds - Optional Redemption").

Mandatory Sinking Fund Redemption... The Bonds maturing on February 15 in the years 2028, 2030, 2032, 2034, and 2036 are also subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE BONDS – Mandatory Sinking Fund Redemption."

This Official Statement, which includes the cover page, the Schedule and the Appendices hereto, does not constitute an offer to sell, nor is it to be used in connection with an offer to sell or the solicitation of an offer to buy the Bonds in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation.

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

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 responsibility to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information set forth herein has been obtained from the City and other sources believed to be reliable, but such information is not guaranteed as to accuracy or completeness and is not to be construed as the promise or guarantee of the Financial Advisor or the Underwriter. This Official Statement contains, in part, estimates and matters of opinion which are not intended as statements of fact, and no representation is made as to the correctness of such estimates and opinions, or that they will be realized.

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

The prices and other terms respecting the offering and sale of the Bonds may be changed from time to time by the Underwriter after the Bonds are released for sale, and the Bonds may be offered and sold at prices other than the initial offering prices, including sales to dealers who may sell the Bonds into investment accounts.

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

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

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

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

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

TABLE OF CONTENTS

The cover page hereof, this page, the schedule, 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 Bonds to potential investors is made only by means of this entire Official Statement. No person is authorized to detach this summary from this Official Statement or to otherwise use it without the entire Official Statement.

THE CITY .... The City of Henrietta (the "City") is a political subdivision and home rule municipal corporation of the State, located in Clay County, Texas. The City covers approximately 5.20 square miles (see "INTRODUCTION - Description of the City").

THE BONDS .... The $2,355,000 General Obligation Refunding Bonds, Series 2020 are issued in part as serial bonds maturing on February 15 of each year 2021 through 2026 and in part as term bonds maturing on February 15 in the years 2028, 2030, 2032, 2034 and 2036 (see "THE BONDS - Description of the Bonds").

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery to the Underwriter and is payable on February 15, 2021, and each August 15 and February 15 thereafter until maturity or prior redemption (see "THE BONDS - Description of the Bonds" and "THE BONDS - Optional Redemption").

AUTHORITY FOR ISSUANCE .... The Bonds are issued pursuant to the general laws of the State, including particularly, Texas Government Code, Chapter 1207, as amended and an ordinance adopted by the City Council of the City on May 11, 2020 (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to an officer of the City pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale were included in a "Pricing Certificate" executed on September 29, 2020, which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance"). (See "THE BONDS - Authority for Issuance".)

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

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The City has designated the Bonds as "Qualified Tax-Exempt Obligations" for financial institutions.

REDEMPTION.................................. The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "THE BONDS - Optional Redemption").

The Bonds maturing on February 15 in the years 2028, 2030, 2032, 2034 and 2036 are also subject to mandatory redemption in part prior to maturity at a price of par plus accrued interest to the redemption date as described under "THE BONDS – Mandatory Sinking Fund Redemption."

TAX EXEMPTION............................ In the opinion of Bond Counsel, the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX MATTERS" herein.

USE OF PROCEEDS .... Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt, in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds (see "PLAN OF FINANCING – Purpose").

MUNICIPAL BOND INSURANCE....... The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by ASSURED GUARANTY MUNICIPAL CORP. ("AGM"). See "MUNICIPAL BOND INSURANCE" and "BOND INSURANCE RISKS" herein.

RATINGS .... The Bonds are expected to be rated "AA" (Stable Outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P") with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. ("AGM" or the "Insurer"). In addition, The Bonds and the City's presently outstanding debt are rated "A+" by ("S&P") without regard to credit enhancement (see "Other Information - Ratings").

Book-Entry-Only System .... The definitive Bonds 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 Bonds may be acquired in denominations of $5,000 or integral multiples thereof within a maturity. No physical delivery of the Bonds will be made to the beneficial owners thereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds (see “THE BONDS - Book-Entry-Only System”).

Payment Record .... The City has never defaulted in payment of its general obligation tax debt.

Selected Financial Information

Fiscal Year Ended 9/30	Estimated City Population[1]	Taxable Assessed Valuation[2]	Per Capita Taxable Assessed Valuation	General Purpose G.O. Tax Debt Outstanding at End of Year	Per Capita General Purpose Tax Debt	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	% of Total Tax Collections
2017	3,141	$ 111,641,686	$ 35,543	$ 2,780,000	$ 885	2.49%	92.77%
2018	3,141	112,813,694	35,916	2,685,000	855	2.38%	92.28%
2019	3,141	121,816,754	38,783	2,590,000	825	2.13%	102.42%
2020	3,141	121,611,780	38,718	2,490,000	793	2.05%	103.25% [4]
2021	3,141	128,367,430	40,868	2,180,000 [3]	694 [3]	1.70% [3]	N/A

(1) Source: City of Henrietta.
(2) As reported by the Clay County Appraisal District on City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Excludes the Refunded Obligations and includes the Bonds.
(4) Partial year collections through August 31, 2020.

General Fund Consolidated Statement Summary

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Beginning Balance	$ 1,425,100 [1]	$ 1,094,969 [1]	$ 860,301 [1]	$ 1,141,915 [1]	$ 916,531
Total Revenue	1,985,805	1,852,390	1,794,560	1,686,468	1,726,062
Total Expenditures	1,550,553	1,522,257	1,650,211	1,968,081	1,500,680
Net Transfers, Other and Adjustments	-	-	85,454	-	-
Ending Balance	$ 1,860,352	$ 1,425,102	$ 1,090,104	$ 860,302	$ 1,141,913

(1) Restated.

For additional information regarding the City, please contact:

Kelley Bloodworth City Administrator City of Henrietta 101 North Main Street Henrietta, Texas 76365 (940) 538-4316	or	Erick Macha Director Hilltop Securities Inc. 1201 Elm Street, Suite 3500 Dallas, Texas 75270 (214) 953-4033

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Howard Raeke Mayor	13 Years	May 2021	Retired
Robert Lavy Mayor Pro Tem	10 Years	May 2022	Retired
Melissa Roberson Alderperson	1 Year	May 2021	Banker
Mike Scott Alderperson	11 Years	May 2021	Retired
Mark Hill Alderperson	7 Years	May 2021	Banker

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to the City
Kelley Bloodworth	City Administrator	11 Years
Troy Potts	Director of Public Works	9 Years
Cathy Mills	City Secretary	9 Years

CONSULTANTS AND ADVISORS

Auditors .... Edgin, Parkman, Fleming & Fleming, PC
Wichita Falls, Texas

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

Financial Advisor .... Hilltop Securities Inc.
Dallas, Texas

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OFFICIAL STATEMENT

RELATING TO

$2,355,000
CITY OF HENRIETTA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance by the City of Henrietta, Texas (the "City") of its $2,355,000 General Obligation Refunding Bonds, Series 2020 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance (defined below), except as otherwise indicated herein.

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

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 1881. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and four Councilmembers. The term of office is four years with the terms of the Mayor and two of the Councilmembers' terms expiring in an even-numbered year and the terms of the other three Councilmembers expiring in an odd-numbered years. The City Administrator 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, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 3,141. The City covers approximately 5.20 square miles. The City is the County Seat of Clay County and is located in North Texas approximately 120 miles northwest of Dallas and 20 miles east of Wichita Falls, Texas.

PLAN OF FINANCING

PURPOSE . . . The Bonds are being issued for the purpose of refunding a portion of the City's outstanding debt (the "Refunded Obligations") in order to lower the overall annual debt service requirements of the City, and to pay the costs of issuance of the Bonds. See Schedule I for a detailed listing of the Refunded Obligations and their redemption date at par.

REFUNDED OBLIGATIONS . . . The principal and interest due on the Refunded Obligations are to be paid on the redemption date of the Refunded Obligations as set forth in Schedule I, from funds to be deposited pursuant to a certain Deposit Agreement (the "Deposit Agreement") between the City and the paying agent/registrar for the Refunded Obligations. The Ordinance (as defined below) provides that from the proceeds of the sale of the Bonds received from the Underwriter and any required contribution to the refunding by the City, the City will deposit with the paying agent/registrar for the Refunded Obligations the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their redemption date. Such funds will be held by the paying agent/registrar for the Refunded Obligations in a special account used to defease and redeem the Refunded Obligations on their redemption date.

The paying agent/registrar for the Refunded Obligations will certify in the Deposit Agreement that the funds on deposit pursuant to the Deposit Agreement will be sufficient to pay, when due, the amount necessary to accomplish the discharge and final payment of the Refunded Obligations on their redemption date (the "Sufficiency Certification").

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

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USE OF PROCEEDS . . . The proceeds from the sale of the Bonds will be applied approximately as follows:

Sources of Funds	
Par Amount of the Bonds	$ 2,355,000.00
Reoffering Premium	276,482.90
Total Sources of Funds	$ 2,631,482.90

Uses of Funds	
Deposit to the Paying Agent for the Refunded Obligations	$ 2,520,954.12
Deposit to Debt Service Fund	2,691.67
Underwriter's Discount, Municipal Bond Insurance and Costs of Issuance	107,837.11
Total Uses of Funds	$ 2,631,482.90

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated October 15, 2020, and mature on February 15 in each of the years and in the amounts shown on page 2 hereof. Interest on the Bonds will accrue from the date of initial delivery to the Underwriter, 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 definitive Bonds will be issued only in fully registered form in any integral multiple of $5,000 for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Bonds will be made to the owners thereof.** Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. See "The Bonds - Book-Entry-Only System" herein.

Interest on the Bonds 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 Bonds will be paid to the registered owner at the stated maturity or earlier redemption upon presentation to the designated payment/transfer office of the Paying Agent/Registrar; provided, however, that so long as DTC's Book-Entry-Only System is utilized, all payments will be made as described under "The Bonds - Book-Entry-Only System" herein. If the date for any payment on the Bonds shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the designated payment/transfer office of the Paying Agent/Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

AUTHORITY FOR ISSUANCE . . . The Bonds are being issued pursuant to the Constitution and general laws of the State of Texas, particularly, Texas Government Code, Chapter 1207, as amended ("Chapter 1207"), and by an ordinance adopted by the City Council (the "Bond Ordinance"). In the Bond Ordinance, the City Council delegated to an officer of the City pursuant to certain provisions of Chapter 1207, authority to effect the sale of the Bonds and to establish certain terms related to the issuance and sale of the Bonds. The terms of the sale were included in a "Pricing Certificate" executed on September 29, 2020, which completed the sale of the Bonds (the Bond Ordinance and the Pricing Certificate are collectively referred to as the "Ordinance").

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Bonds are payable from an annual ad valorem tax levied by the City, within the limits prescribed by law, upon all taxable property in the City.

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 the City's 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 after taking into account other lawfully available revenues that may be used to defray a portion of a city's tax-supported debt.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Bonds having stated maturities on and after February 15, 2032, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Bonds are to be redeemed, the City may select the maturities of Bonds to be redeemed. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Bonds are in Book-Entry-Only form) shall determine by lot the Bonds, 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... In addition to the optional redemption provision described above, the Bonds maturing on February 15 in the years 2028, 2030, 2032, 2034 and 2036 (the "Term Bonds") are subject to mandatory sinking fund redemption in the following amounts (subject to reduction as hereinafter provided) on the following dates at a redemption price equal to 100% of the principal amount thereof, plus accrued interest to the date of redemption.

Term Bonds Maturing February 15, 2028		Term Bonds Maturing February 15, 2030		Term Bonds Maturing February 15, 2032	
Redemption Date	Amount	Redemption Date	Amount	Redemption Date	Amount
2/15/2027	$ 135,000	2/15/2029	$ 145,000	2/15/2031	$ 150,000
2/15/2028(1)	140,000	2/15/2030(1)	150,000	2/15/2032(1)	160,000

Term Bonds Maturing February 15, 2034		Term Bonds Maturing February 15, 2036	
Redemption Date	Amount	Redemption Date	Amount
2/15/2033	$ 160,000	2/15/2035	$ 175,000
2/15/2034(1)	165,000	2/15/2036(1)	180,000

____
(1) Stated maturity.

Approximately forty-five (45) days immediately preceding each of the mandatory redemption dates specified above that the Term Bonds are to be mandatorily redeemed, the Paying Agent/Registrar shall select by lot the numbers of the Term Bonds within the applicable maturity to be redeemed on the next following February 15 from moneys set aside for that purpose in the Interest and Sinking Fund. Any Term Bonds not selected for prior redemption shall be paid on the date of their stated maturity.

The principal amount of the Term Bonds for a Stated Maturity required to be redeemed on a mandatory redemption date may be reduced, at the option of the District, by the principal amount of Term Bonds of like Stated Maturity which, at least 45 days prior to the mandatory redemption date, (1) shall have been acquired by the District and delivered to the Paying Agent/Registrar for cancellation or (2) shall have been redeemed pursuant to the optional redemption provisions set forth above and not theretofore credited against a mandatory redemption requirement.

NOTICE OF REDEMPTION . . . Not less than 30 days prior to a redemption date for the Bonds, the City shall cause a notice of redemption to be sent by United States mail, first class, postage prepaid, to the registered owners of the Bonds 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 AND ANY OTHER CONDITION TO REDEMPTION HAVING BEEN SATISFIED, THE BONDS CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY BOND OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH BOND OR PORTION THEREOF SHALL CEASE TO ACCRUE.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption required by the Ordinance have been met and money sufficient to pay the principal of and premium, if any, and interest on the Bonds to be redeemed will have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice will state that said redemption may, at the option of the City, be conditional upon the satisfaction of such prerequisites and receipt of such money by the Paying Agent/Registrar on or prior to the date fixed for such redemption or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption are not fulfilled, such notice will be of no force and effect, the City will not redeem such Bonds, and the Paying Agent/Registrar will give notice in the manner in which the notice of redemption was given, to the effect that such Bonds have not been redeemed.

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder for the purpose of amending or supplementing the Ordinance to (i) cure any ambiguity, defect or omission therein that does not materially adversely affect the interests of the holders, (ii) grant additional rights or security for the benefit of the holders, (iii) 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 holders, (iv) 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 (v) 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 interests of the holders.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal and premium, if any, on the Bonds, plus interest on the Bonds to the due date thereof is provided by irrevocably depositing with the Paying Agent/Registrar or another authorized escrow agent, in trust (1) money sufficient to make such payment and/or (2) Defeasance Securities to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Bonds. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The 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 Bonds. 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 governing body of the City authorizes the defeasance, 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 on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. 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 Bonds. 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 for defeasance purposes or that for any other Defeasance Security will be maintained at any particular rating category.

Upon such deposit as described above, such Bonds shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment or redemption of the Bonds have been made as described above, all rights of the City to initiate proceedings to call the Bonds for redemption or take any other action amending the terms of the Bonds are extinguished; provided, however, that the right to call the Bonds for redemption is not extinguished if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Bonds for redemption; (ii) gives notice of the reservation of that right to the owners of the Bonds immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

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

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

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

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

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

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

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

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

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

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

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

The City may decide to discontinue the use of the system of book-entry-only transfers through DTC (or a successor depository). In that event, Bonds will be printed and delivered.

Use of Certain Terms in Other Sections of this Official Statement . . . In reading this Official Statement it should be understood that while the Bonds are in the Book-Entry-Only System, references in other sections of this Official Statement to registered owners should be read to include the person for which the Participant acquires an interest in the Bonds, but (i) all rights of ownership must be exercised through DTC and the Book-Entry-Only System, and (ii) except as described above, notices that are to be given to registered owners under the Ordinance will be given only to DTC.

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

Effect of Termination of Book-Entry-Only System . . . In the event that the Book-Entry-Only System of the Bonds is discontinued, printed Bonds will be issued to the DTC Participants or the holder, as the case may be, and such Bonds will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under "The Bonds - Transfer, Exchange and Registration" below.

PAYING AGENT/REGISTRAR . . . The initial Paying Agent/Registrar is UMB Bank, N.A., 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 Bonds are duly paid and any successor Paying Agent/Registrar shall be a commercial bank or trust company organized under the laws of the State 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 Bonds. Upon any change in the Paying Agent/Registrar for the Bonds, the City agrees to promptly cause a written notice thereof to be sent to each registered owner of the Bonds by United States mail, first class, postage prepaid, which notice shall also give the address of the new Paying Agent/Registrar.

TRANSFER, EXCHANGE AND REGISTRATION . . . In the event the Book-Entry-Only System should be discontinued, printed Bonds will be issued to the registered owners and such Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender to the Paying Agent/Registrar and such transfer or exchange shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the 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 Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of $5,000 for any one maturity and for a like aggregate principal amount as the Bonds surrendered for exchange or transfer. See "The Bonds - Book-Entry-Only System" herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds. Neither the City nor the Paying Agent/Registrar shall be required to transfer or exchange any Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer shall not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of 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 ("Special Payment Date", which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first class postage prepaid, to the address of each Holder of a Bond 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.

BONDHOLDERS' REMEDIES . . . The Ordinance defines "Event of Default" as the failure to make payment for the Bonds when the same becomes due and payable or the default in the performance or observance of any other covenant, agreement or obligation of the City under the Ordinance, the failure to perform which materially, adversely affects the rights of the registered owners, including, but not limited to, their prospect or ability to be paid principal or any interest, and the continuation thereof for a period of 60 days after notice of such default is given by any registered owner to the City. The Ordinance further provides that upon the occurrence of an Event of Default, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Bonds if there is no other available remedy at law to compel performance of the Bonds or Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ of mandamus is controlled by equitable principles, and with the discretion of the court, but may not be arbitrarily refused There is no acceleration of maturity of the Bonds in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court has ruled in *Tooke v.City of Mexia, 197 S.W.3rd 325* (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language. On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 59 Tex. Sup. Ct. J. 524 (Tex. 2016) that governmental immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. In its decision, the Court held that since the Local Government Immunity Waiver Act waives governmental immunity in certain breach of contract claims without addressing whether the waiver applies to a governmental function or a proprietary function of a city, the Court could not reasonably read the Local Government Immunity Waiver Act to evidence legislative intent to waive immunity when a city performs a proprietary function. The Texas Supreme Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of the alleged breach. Therefore, in regard to municipal contract cases (as in tort claims) it is incumbent on the courts to determine whether a function was proprietary or governmental based upon the statutory guidance at the time of the contractual relationship. Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, bondholders may not be able to bring such a suit against the City for breach of the Bonds or Ordinance covenants. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Bonds are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

MUNICIPAL BOND INSURANCE

BOND INSURANCE POLICY

Concurrently with the issuance of the Bonds, Assured Guaranty Municipal Corp. ("AGM" or the "Insurer") will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

ASSURED GUARANTY MUNICIPAL CORP.

AGM is a New York domiciled financial guaranty insurance company and an indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO". AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and international public finance (including infrastructure) and structured finance markets and, as of October 1, 2019, asset management services. Neither AGL nor any of its shareholders or affiliates, other than AGM, is obligated to pay any debts of AGM or any claims under any insurance policy issued by AGM.

AGM's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA") and "A2" (stable outlook) by Moody's Investors Service, Inc. ("Moody's"). Each rating of AGM should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of AGM in its sole discretion. In addition, the rating agencies may at any time change AGM's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by AGM. AGM only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by AGM on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On July 16, 2020, S&P announced it had affirmed AGM's financial strength rating of "AA" (stable outlook). AGM can give no assurance as to any further ratings action that S&P may take.

On December 19, 2019, KBRA announced it had affirmed AGM's insurance financial strength rating of "AA+" (stable outlook). AGM can give no assurance as to any further ratings action that KBRA may take.

On August 13, 2019, Moody's announced it had affirmed AGM's insurance financial strength rating of "A2" (stable outlook). AGM can give no assurance as to any further ratings action that Moody's may take.

For more information regarding AGM's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2019.

Capitalization of AGM

At June 30, 2020:

- The policyholders' surplus of AGM was approximately $2,667 million.

- The contingency reserves of AGM and its indirect subsidiary Municipal Assurance Corp. ("MAC") (as described below) were approximately $1,018 million. Such amount includes 100% of AGM's contingency reserve and 60.7% of MAC's contingency reserve.

- The net unearned premium reserves and net deferred ceding commission income of AGM and its subsidiaries (as described below) were approximately $2,048 million. Such amount includes (i) 100% of the net unearned premium reserve and deferred ceding commission income of AGM, (ii) the net unearned premium reserves and net deferred ceding commissions of AGM's wholly owned subsidiaries Assured Guaranty (Europe) plc ("AGE UK") and Assured Guaranty (Europe) SA ("AGE SA"), and (iii) 60.7% of the net unearned premium reserve of MAC.

The policyholders' surplus of AGM and the contingency reserves, net unearned premium reserves and deferred ceding commission income of AGM and MAC were determined in accordance with statutory accounting principles. The net unearned premium reserves and net deferred ceding commissions of AGE UK and AGE SA were determined in accordance with accounting principles generally accepted in the United States of America.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGM are incorporated by reference into this Official Statement and shall be deemed to be a part hereof:

(i) the Annual Report on Form 10-K for the fiscal year ended December 31, 2019 (filed by AGL with the SEC on February 28, 2020);

(ii) the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2020 (filed by AGL with the SEC on May 8, 2020); and

(iii) the Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2020 (filed by AGL with the SEC on August 7, 2020).

All information relating to AGM included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8-K, after the filing of the last document referred to above and before the termination of the offering of the Bonds shall be deemed incorporated by reference into this Official Statement and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Municipal Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Official Statement.

Any information regarding AGM included herein under the caption "MUNICIPAL BOND INSURANCE – Assured Guaranty Municipal Corp." or included in a document incorporated by reference herein (collectively, the "AGM Information") shall be modified or superseded to the extent that any subsequently included AGM Information (either directly or through incorporation by reference) modifies or supersedes such previously included AGM Information. Any AGM Information so modified or superseded shall not constitute a part of this Official Statement, except as so modified or superseded.

Miscellaneous Matters

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

MUNICIPAL BOND INSURANCE RISKS

GENERAL… The City has obtained a commitment from the Insurer to provide the Policy relating to the Bonds. The following risk factors related to municipal bond insurance policies generally apply.

In the event of default of the scheduled payment of principal of or interest on the Bonds when all or a portion thereof becomes due, any owner of the Bonds shall have a claim under the Policy for such payments. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the City which is recovered by the City from the bond owner as a voidable preference under applicable bankruptcy law is covered by the Policy; however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the City (unless the Insurer chooses to pay such amounts at an earlier date).

Payment of principal of and interest on the Bonds is not subject to acceleration, but other legal remedies upon the occurrence of non-payment do exist (see "THE BONDS - Bondholders' Remedies").

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

The long-term ratings on the Bonds will be dependent in part on the financial strength of the Insurer and its claims-paying ability. The Insurer's financial strength and claims-paying ability are predicated upon a number of factors which could change over time. No assurance can be given that the long-term ratings of the Insurer and of the ratings on the Bonds, whether or not subject to the Policy, will not be subject to downgrade and such event could adversely affect the market price or the marketability (liquidity) for the Bonds.

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

CLAIMS-PAYING ABILITY AND FINANCIAL STRENGTH OF MUNICIPAL BOND INSURERS…Moody's Investor Services, Inc., S&P Global Ratings, a Standard & Poor's Financial Services LLC business and Fitch Ratings (the "Rating Agencies") have in the past downgraded and/or placed on negative watch the claims-paying ability and financial strength of most providers of municipal bond insurance. Additional downgrades or negative changes in the rating outlook for all bond insurers is possible. In addition, events in the credit markets have had substantial negative effects on the bond insurance business. These developments could be viewed as having a material adverse effect on the claims-paying ability of such bond insurers, including the Insurer. Thus, when making an investment decision, potential investors should carefully consider the ability of the Insurer to pay principal and interest on the Bonds and the claims-paying ability of the Insurer, particularly over the life of the Bonds.

TAX INFORMATION

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

VALUATION OF TAXABLE PROPERTY . . . The Property Tax Code provides for countywide appraisal and equalization of taxable property values and establishes in each county of the State an appraisal district and an appraisal review board (the "Appraisal Review Board") responsible for appraising property for all taxing units within the county. The appraisal of property within the City is the responsibility of the Clay County Appraisal District (the "Appraisal District"). Except as generally described below, the Appraisal District is required to appraise all property within the Appraisal District on the basis of 100% of its market value and is prohibited from applying any assessment ratios. In determining market value of property, the Appraisal District is required to consider the cost method of appraisal, the income method of appraisal and the market data comparison method of appraisal, and use the method the chief appraiser of the Appraisal District considers most appropriate. The Property Tax Code requires appraisal districts to reappraise all property in its jurisdiction at least once every three (3) 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.

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. 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 "TAX INFORMATION – City 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 appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may also be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

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

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 REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. 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 "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

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.

For a discussion of how the various exemptions described above are applied by the City, see "TAX INFORMATION –City Application of Tax Code" and "Table 1 – Valuation, Exemptions and General Obligation Debt."

CITY AND TAXPAYER REMEDIES . . . Under certain circumstances, taxpayers and taxing units, including the City, 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.

Beginning in the 2020 tax year, owners of certain property with a taxable value in excess of the current year "minimum eligibility amount", as determined by the State Comptroller, and situated in a county with a population of one million or more, may protest the determinations of an appraisal district directly to a three-member special panel of the appraisal review board, appointed by the chairman of the appraisal review board, consisting of highly qualified professionals in the field of property tax appraisal. The minimum eligibility amount is set at $50 million for the 2020 tax year, and is adjusted annually by the State Comptroller to reflect the inflation rate.

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 "TAX INFORMATION – Public Hearing and Maintenance and Operations Tax Rate Limitations"). The Property Tax Code also establishes a procedure for providing 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.

LEVY AND COLLECTION OF TAXES . . . The City is responsible for the collection of its taxes, unless it elects to transfer such functions to another governmental entity. Taxes are due October 1, or when billed, whichever comes later, and become delinquent after January 31 of the following year. A delinquent tax incurs a penalty of six percent (6%) of the amount of the tax for the first calendar month it is delinquent, plus one percent (1%) for each additional month or portion of a month the tax remains unpaid prior to July 1 of the year in which it becomes delinquent. If the tax is not paid by July 1 of the year in which it becomes delinquent, the tax incurs a total penalty of twelve percent (12%) regardless of the number of months the tax has been delinquent and incurs an additional penalty of up to twenty percent (20%) if imposed by the City. The delinquent tax also accrues interest at a rate of one percent (1%) for each month or portion of a month it remains unpaid. The Property Tax Code also makes provision for the split payment of taxes, discounts for early payment and the postponement of the delinquency date of taxes for certain taxpayers. Furthermore, the City may provide, on a local option basis, for the split payment, partial payment, and discounts for early payment of taxes under certain circumstances.

CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. 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 each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

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, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

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.

PUBLIC HEARING AND MAINTENANCE AND OPERATIONS 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 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, within the limit prescribed by law, to pay debt service on all of the City's tax-supported debt obligations, including the Bonds.

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

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $25,000; the disabled are also granted an exemption of $10,000.

The City has not granted an additional exemption of 20% of the market value of residence homesteads.

See Table 1 for a listing of the amounts of the exemptions described above.

The City has not adopted the tax freeze for citizens who are disabled or are 65 years of age or older, which became a local option and subject to local referendum on January 1, 2004.

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

The City does tax nonbusiness personal property; and the Clay County Appraisal District collects taxes for the City.

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

The City does not tax freeport property.

The City does not tax goods-in-transit.

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

The City does not participate in any TIFs.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement.

CHAPTER 380 AGREEMENTS…The City has not entered into any Chapter 380 Agreements.

TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/21 Market Valuation Established by Clay County Appraisal District (excluding totally exempt property)		$ 135,437,430
Less Exemptions/Reductions at 100% Market Value:		
Residence Homestead Exemptions (Over 65 and Disabled)	$ 1,754,770	
Disabled Veterans Exemptions	2,059,500	
Productivity Loss	2,712,530	
Homestead Cap Loss	435,670	
Miscellaneous Exemptions	107,530	7,070,000
2020/21 Taxable Assessed Valuation		$ 128,367,430
General Obligation Debt Payable from Ad Valorem Taxes as of September 15, 2020		
Outstanding General Obligation Debt[1]	$ -	
The Bonds	2,355,000	
		$ 2,355,000
Ratio General Obligation Debt to Taxable Assessed Valuation		1.83%

2020 Estimated Population - 3,141

Per Capita Taxable Assessed Valuation - $40,868

Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $750

(1) Excludes the Refunded Obligations.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Fiscal Year Ended September 30,					
	2021		2020		2019	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 91,858,100	67.82%	$ 91,371,500	70.95%	$ 89,255,300	69.13%
Real, Residential, Multi-Family	2,672,050	1.97%	2,672,050	2.07%	2,588,580	2.00%
Real, Vacant Lots/Tracts	850,200	0.63%	807,720	0.63%	766,710	0.59%
Real, Acreage (Land Only)	3,042,330	2.25%	3,047,740	2.37%	3,315,640	2.57%
Real, Farm and Ranch Improvements	2,506,500	1.85%	2,657,960	2.06%	1,933,370	1.50%
Real, Commercial and Industrial	17,393,930	12.84%	17,798,250	13.82%	16,833,000	13.04%
Oil & Gas	-	0.00%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	6,214,060	4.59%	303,940	0.24%	5,215,770	4.04%
Tangible Personal, Commercial and Industrial	6,471,970	4.78%	5,944,520	4.62%	5,153,710	3.99%
Tangible Personal, Mobile Homes	1,532,340	1.13%	1,523,750	1.18%	1,592,340	1.23%
Residential Inventory	636,050	0.47%	412,580	0.32%	130,120	0.10%
Special Inventory	2,259,900	1.67%	2,239,310	1.74%	2,328,380	1.80%
Total Appraised Value Before Exemptions	$ 135,437,430	100.00%	$ 128,779,320	100.00%	$ 129,112,920	100.00%
Less: Total Exemptions/Reductions	7,070,000		7,167,540		7,296,166	
Taxable Assessed Value	$ 128,367,430		$ 121,611,780		$ 121,816,754	

	Fiscal Year Ended September 30,			
	2018		2017	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 86,134,690	71.59%	$ 85,428,700	71.42%
Real, Residential, Multi-Family	1,310,850	1.09%	1,345,430	1.12%
Real, Vacant Lots/Tracts	743,790	0.62%	783,550	0.66%
Real, Acreage (Land Only)	3,530,990	2.93%	3,641,120	3.04%
Real, Farm and Ranch Improvements	1,502,710	1.25%	1,217,500	1.02%
Real, Commercial and Industrial	13,824,920	11.49%	13,715,930	11.47%
Oil & Gas	-	0.00%	12,240	0.01%
Real and Tangible Personal, Utilities	4,812,810	4.00%	4,455,050	3.72%
Tangible Personal, Commercial and Industrial	4,786,430	3.98%	4,918,090	4.11%
Tangible Personal, Mobile Homes	1,467,230	1.22%	1,541,780	1.29%
Residential Inventory	121,540	0.10%	121,540	0.10%
Special Inventory	2,072,870	1.72%	2,435,290	2.04%
Total Appraised Value Before Exemptions	$ 120,308,830	100.00%	$ 119,616,220	100.00%
Less: Total Exemptions/Reductions	7,495,136		7,974,534	
Taxable Assessed Value	$ 112,813,694		$ 111,641,686	

NOTE: Valuations shown are certified taxable assessed values reported by the Clay County Appraisal District to the State Comptroller of Public Accounts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Per Capita Taxable Assessed Valuation	General Purpose G.O. Tax Debt Outstanding at End of Year [3]	Ratio of General Purpose G.O. Tax Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt
2017	3,141	$ 111,641,686	$ 35,543	$ 2,780,000	2.49%	$ 885
2018	3,141	112,813,694	35,916	2,685,000	2.38%	855
2019	3,141	121,816,754	38,783	2,590,000	2.13%	825
2020	3,141	121,611,780	38,718	2,490,000	2.05%	793
2021	3,141	128,367,430	40,868	2,180,000 [4]	1.70% [4]	694 [4]

(1) Source: the City.
(2) As reported by the Clay County Appraisal District on City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Includes the Bonds and excludes the Refunded Obligations.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest & Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2017	$ 0.8251	$ 0.6188	$ 0.2063	$ 921,351	96.93%	92.77%
2018	0.8251	0.6188	0.2063	930,713	96.53%	92.28%
2019	0.8153	0.6278	0.1875	993,606	97.02%	102.42%
2020	0.8250	0.6435	0.1815	1,036,823	97.65% [1]	103.25% [1]
2021	0.8250	0.6435	0.1815	1,027,260	N/A	N/A

(1) Partial year collections through August 31, 2020.

TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2020/21 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
MAH Properties V. LLC	Car Dealership	$ 3,712,400	2.89%
Victron Stores, LP	Convenience Store	3,546,300	2.76%
Henrietta Abbington Vista LP	Apartments	1,320,600	1.03%
Henrietta Hospitality Inc.	Hotel	1,300,000	1.01%
Karen Kerr Bryant Trust	Trust	1,015,990	0.79%
Diamond Super Markets Inc.	Super Market	1,004,150	0.78%
Henrietta CHBU, LLC	Car Dealership	749,760	0.58%
Luong Hoa Thi Thu	Multifamily Property	579,640	0.45%
Kerr Feed & Grain	Feed Manufacturer	578,330	0.45%
4A Change Properties Inc.	Multifamily Property	489,060	0.38%
		$ 14,296,230	11.14%

GENERAL OBLIGATION DEBT LIMITATION . . . No general obligation debt limitation is imposed on the City under current State law or the City's Home Rule Charter (however, see "THE BONDS - Tax Rate Limitation").

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	2020/2021 Taxable Assessed Value	2020/2021 Tax Rate	Total Tax Debt As Of 9/15/2020	Estimated % Applicable	City's Overlapping Tax Debt As Of 9/15/2020	Authorized But Unissued Debt As Of 9/15/2020
City of Henrietta	$ 128,367,430	$ 0.8250	$ 2,355,000 (1)	100.00%	$ 2,355,000	$ -
Henrietta ISD	399,684,010	1.2364	9,421,000	34.06%	3,208,793	-
Clay County	876,062,140	0.7200	-	14.09%	-	-
Total Direct and Overlapping Tax Debt					$ 5,563,793	
Ratio of Direct and Overlapping Tax Debt to Taxable Assessed Valuation					4.33%	
Per Capita Overlapping Tax Debt					$ 1,771	

(1) Includes the Bonds and excludes the Refunded Obligations.

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DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS(1)

Fiscal Year Ended 9/30	The Bonds(2) Principal	Interest	Total	Grand Total Requirements	% of Principal Retired
2021	$ 175,000	$ 52,521	$ 227,521	$ 227,521	7.43%
2022	120,000	63,600	183,600	183,600	
2023	120,000	60,000	180,000	180,000	
2024	125,000	56,325	181,325	181,325	
2025	125,000	52,575	177,575	177,575	
2026	130,000	48,750	178,750	178,750	33.76%
2027	135,000	44,775	179,775	179,775	
2028	140,000	40,650	180,650	180,650	
2029	145,000	36,375	181,375	181,375	
2030	150,000	31,950	181,950	181,950	
2031	150,000	27,450	177,450	177,450	64.33%
2032	160,000	22,800	182,800	182,800	
2033	160,000	18,000	178,000	178,000	
2034	165,000	13,125	178,125	178,125	
2035	175,000	8,025	183,025	183,025	
2036	180,000	2,700	182,700	182,700	100.00%
	$ 2,355,000	$ 579,621	$ 2,934,621	$ 2,934,621	

(1) Excludes the Refunded Obligations.
(2) The average life of the issue is 8.20 years and the true interest cost is 1.620%.

TABLE 8 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT... The City does not anticipate issuing additional voted general obligation debt within the next 12 months. The City may incur non-voted debt payable from or secured by its collection of taxes and other sources of revenue, including tax notes, public property finance contractual obligations, and leases for various purposes.

TABLE 9 - TAX ADEQUACY(1)

2021 Principal and Interest Requirements……………………………………..…………	$	227,521
$.1828 Tax Rate at 97% Collection Produces………...……………....………………..……	$	227,616
Average Principal and Interest Requirements (2021 - 2036)……...........................………...	$	183,414
$.1474 Tax Rate at 97% Collection Produces………..………………..……………………	$	183,537
Maximum Principal and Interest Requirements, 2021………………………………………	$	227,521
$.1828 Tax Rate at 97% Collection Produces………...……………………………………	$	227,616

(1) Includes the Bonds and excludes the Refunded Obligations.

TABLE 10 – OTHER OBLIGATIONS

Capital Leases

The City entered into a capital lease agreement for the purchase of a backhoe in January 2017. The original amount of the lease was $85,454. The interest rate is 2.20%. The following is a schedule of maturities of the governmental activity capital leases:

Fiscal Year Ended 9/30	Principal	Interest	Total
2020	$ 7,088	$ 1,393	$ 8,481
2021	7,241	1,240	8,481
2022	48,923	1,078	50,001
Total	$ 63,252	$ 3,711	$ 66,963

PENSION PLAN

TMRS Plan Description

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

Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. 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. Plan provisions for the City include an employee deposit rate of 7%, a matching ratio (city to employee) of 2 to 1 and five years of participation for vesting. Employees with five years of continuous service are eligible to retire at age 60. Employees may retire at any age after 20 years of continuous service.

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 7% of their annual gross earnings during the fiscal year.

The contribution ratesfor the City were 14.64% and 14.80%$ in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were $103,477 and were equal to the required contribution.

For more detailed information concerning the TMRS, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note 9, page 32.

DEATH BENEFITS

The City participates in a defined benefit group-term life insurance plan administered by the TMRS known as the Supplemental Death Benefits Funds (SDBF). The plan is administered as a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not retirees. The death benefit for active employees provides a lump-sum payment approximately equal to the employees 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 as a other 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).

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. For more detailed information concerning the death benefit, see Appendix B, "Excerpts from the City's Comprehensive Annual Financial Report" - Note 10, page 37.

OTHER RETIREMENT BENEFITS...As a result of its participation in TMRS and having no other post-employment benefit plans, the City has no obligations for other post-employment benefits within the meaning of Governmental Accounting Standards Board Statement 45.

FINANCIAL INFORMATION

TABLE 11 - GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2019	2018	2017	2016	2015
REVENUE:					
Property Taxes	$ 774,147	$ 706,106	$ 696,148	$ 669,798	$ 662,352
Sales Tax	413,235	400,325	383,859	324,007	323,628
Franchise Fees	195,227	187,125	177,955	179,165	189,832
Charges for Services	325,101	309,231	290,303	291,808	293,640
Fines	62,456	39,480	66,507	58,692	76,211
Inspections	20,800	34,915	40,012	19,230	12,589
Interest Income	2,264	735	138	198	342
Miscellaneous	187,910	169,628	133,150	139,751	122,073
Community Center	4,665	4,845	6,488	3,819	4,575
Intergovernmental Revenue	-	-	-	-	40,820
Total Revenue	$ 1,985,805	$ 1,852,390	$ 1,794,560	$ 1,686,468	$ 1,726,062
EXPENDITURES:					
City Council	$ 8,389	$ 8,545	$ 8,338	$ 8,240	$ 9,835
General Administration	296,934	292,827	299,386	284,396	331,073
Fire Department	50,072	42,076	61,369	35,196	29,702
Street Department	419,416	408,920	495,361	390,318	393,742
Sanitation Department	233,761	231,412	224,626	209,256	232,970
Parks and Recreation	118,886	109,110	135,090	618,140	76,721
Cemetery	56,353	55,220	57,207	58,214	59,778
Tax Appraisal and Collection	25,205	36,930	30,306	31,516	30,056
Law Enforcement	328,210	330,579	331,036	321,352	326,150
Animal Control	1,376	1,111	2,661	4,416	3,425
Community Center	11,951	5,527	4,831	7,037	7,228
Total Expenditures	$ 1,550,553	$ 1,522,257	$ 1,650,211	$ 1,968,081	$ 1,500,680
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	$ 435,252	$ 330,133	$ 144,349	$ (281,613)	$ 225,382
OTHER FINANCING SOURCES (USES):					
Capital Lease Proceeds	-	-	85,454	-	-
Total Other Financing Sources (Uses)	$ -	$ -	$ 85,454	$ -	$ -
NET CHANGE IN FUND BALANCE	435,252	330,133	229,803	(281,613)	225,382
Fund Balance Beginning of Year	$ 1,425,100 (1)	$ 1,094,969 (1)	$ 860,301 (1)	$ 1,141,915 (1)	$ 916,531
FUND BALANCE END OF YEAR	$ 1,860,352	$ 1,425,102	$ 1,090,104	$ 860,302	$ 1,141,913

(1) Restated.

(2) The estimated ending general fund balance for fiscal year ended 2020 is approximately $2.4 million.

TABLE 11A - CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
	2019	2018	2017	2016	2015
Program Revenues:					
Charges for Services	$ 547,031	$ 528,039	$ 515,969	$ 506,091	$ 476,277
Operating Grants and Contributions	-	-	-	-	6,087
Capital Grants and Contributions	-	-	-	-	34,733
General Revenues:					
Property Taxes	775,401	709,497	701,270	671,751	663,782
Sales Tax	413,235	400,325	383,859	324,007	323,628
Franchise Fees	198,512	190,410	175,945	173,553	195,647
Hotel/Motel Taxes	44,449	53,262	48,378	48,400	46,743
Investment Earnings	2,264	735	138	198	342
Miscellaneous	53,901	30,060	20,491	7,209	32,811
Total Revenues	$ 2,034,793	$ 1,912,328	$ 1,846,050	$ 1,731,209	$ 1,780,050
Expenses:					
City Council	$ 8,389	$ 8,545	$ 8,338	$ 8,240	$ 9,835
General Administration	300,739	295,605	298,427	289,027	323,794
Fire Department	55,807	47,811	41,521	29,817	32,952
Street Department	498,471	478,588	458,255	472,721	420,749
Sanitation Department	234,571	232,222	225,436	210,066	233,780
Parks and Recreation	142,980	136,043	142,475	148,746	90,485
Cemetery	56,936	55,803	57,790	58,797	60,361
Tax Appraisal and Collection	25,205	36,930	30,306	31,516	30,056
Law Enforcement	328,210	330,579	331,036	321,352	326,150
Animal Control	1,482	1,217	2,767	4,522	3,531
Hotel/Motel Tax Related Expenses	40,467	39,519	40,967	44,095	42,885
Community Center	18,654	12,230	11,534	13,740	13,931
Total Expenses	$ 1,711,911	$ 1,675,092	$ 1,648,852	$ 1,632,639	$ 1,588,509
Increase (Decrease) in Net Assets	$ 322,882	$ 237,236	$ 197,198	$ 98,570	$ 191,541
Net Assets October 1	3,534,260 (1)	3,318,052 (1)	3,115,989 (1)	3,017,420 (1)	3,013,855
Prior Period Adjustment	-	(20,993)	-	-	(187,978)
Net Assets September 30	$ 3,857,142	$ 3,534,295	$ 3,313,187	$ 3,115,990	$ 3,017,418

(1) Restated.

TABLE 12 - MUNICIPAL SALES TAX HISTORY

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 Bonds. 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. The City levies an additional sales and use tax of one-half of one percent (½ of 1%) for economic development and an additional one-half of one percent (½ of 1%) for property tax reduction. The sales tax for economic development is collected solely for the benefit of the Henrietta Growth Corporation, and may be pledged to secure payment of sales tax revenue bonds issued by the Corporation.

Fiscal Year Ended 9/30	Total Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2016	$ 324,007	36.21%	$ 0.2893	$ 103
2017	383,859	41.66%	0.3438	122
2018	400,325	43.01%	0.3549	213
2019	413,235	41.59%	0.3392	132
2020	547,791 (1)	52.83%	0.4504	174

(1) As of August 31, 2020.

The sales tax breakdown for the City is as follows:

City Sales & Use Tax	$ 0.0100
City Economic Development	0.0050
County Sales & Use Tax	0.0050
State Sales & Use Tax	0.0625
Total	$ 0.0825

FINANCIAL POLICIES

Basis of Accounting...The City's accounting system is conducted on the modified accrual basis of accounting for Governmental Fund types. Under this basis, expenditures are recorded when liabilities are incurred; revenues are recorded when they become measurable and available as net current assets. The accrual basis of accounting is followed for Proprietary Fund types. Under the accrual basis, revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if possible.

General Fund Balance...It is the goal of the City Council to achieve and maintain a minimum, liquid General Fund cash balance of one-twelfth (30 days) coverage of the annual budget, less debt service.

Debt Service Fund Balance...As required by bond covenants and ordinances, if applicable, reserves are established as prescribed to protect bondholders from payment defaults. Interest earnings are not transferred, but remain as a reserve in the debt service fund and reserve funds.

Budgetary Procedures...The City Charter sets forth budgetary requirements. In summary, at least sixty days prior to the beginning of each fiscal year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning on the following October 1. The operating budget, which represents the fiscal plan for the ensuing fiscal year, includes proposed expenditures and the means of financing them. Public hearings are conducted with public notice being given within statutory limits for the purpose of obtaining taxpayer comments. The budget for the next fiscal year is legally enacted by the City Council through passage of a resolution not later than the last Tuesday in September of the current fiscal year.

Upon written request from the affected department, the City Manager may approve transfers of appropriations on individual line items within a department or authorize the transfer of appropriations between departments or funds. All budget amendments require Council action. Budget appropriations lapse at year end, to the extent that they shall not have been extended or lawfully encumbered.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas 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 Texas law, the City is authorized to invest in (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, (2) direct obligations of the State of Texas 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 of and interest on which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State of Texas 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) Bonds of deposit (i) meeting the requirements of the Texas Public Funds Investment Act (Chapter 2256, Texas Government Code) that are issued by or through an institution that either has its main office or a branch office in Texas, and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Insurance Fund, or are secured as to principal by obligations described in the clauses (1) through (6) or in any other manner and amount provided by law for City deposits, or (ii) 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 of Texas 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 of Texas 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 Bonds 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 Bonds 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 Securities and Exchange Commission and operating pursuant to Securities and Exchange Commission Rule 15c3-3 (17 C.F.R. Section 240.15c3-3) as custodian for the City with respect to the Bonds of deposit; (8) fully collateralized repurchase agreements that (i) have a defined termination date, (ii) are fully secured by a combination of cash and obligations described in clause (1) above, (iii) 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 (iv) are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State of Texas; (9) 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, (10) 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, (11) no-load money market mutual funds regulated by the Securities and Exchange Commission that have a dollar weighted average portfolio maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share, and (12) no-load mutual funds registered with the Securities and Exchange Commission that: have an average weighted maturity of less than two years; invests exclusively in obligations described in the preceding clauses; and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than "AAA" or its equivalent, and (13) guaranteed investment contracts secured by obligations of the United States of America or its agencies and instrumentalities, other than the prohibited obligations described in the next succeeding paragraph.

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

Governmental bodies in the State 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 (6) of the first paragraph under this subcaption, (b) irrevocable letter of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm not less than "A" or its equivalent, or (c) cash invested in obligations that are described in clauses (1) through (6) and (10) through (12) of the first paragraph under this subcaption, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the governmental body, held in the name of the governmental body 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 of Texas; and (iv) the agreement to lend securities has a term of one year or less.

INVESTMENT POLICIES . . . Under Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that includes a list of authorized investments for City funds, 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 funds' investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, City investments must be made "with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person's own affairs, not for speculation, but for investment, considering the probable safety of capital and the probable income to be derived." At least quarterly the investment officers of the City shall submit an investment report detailing: (1) the investment position of the City, (2) that all investment officers jointly prepared and signed the report, (3) the beginning market value, the ending market value and the fully accrued interest during 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 strategy statements and (b) State law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies; (2) adopt a rule, order, ordinance or resolution stating that it has reviewed its investment policy and investment strategies and records any changes made to either its investment policy or investment strategy in the respective rule, order, ordinance or resolution; (3) require any investment officers with personal business relationships or relatives with firms seeking to sell securities to the City to disclose the relationship and file a statement with the Texas Ethics Commission and the City Council; (4) require the qualified representative of firms offering to engage in an investment transaction with the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude investment transactions conducted between the City and the business organization that are not authorized by the City's investment policy (except to the extent that this authorization is dependent on an analysis of the makeup of the City's entire portfolio or requires an interpretation of subjective investment standards), and (c) deliver a written statement in a form acceptable to the City and the business organization attesting to these requirements; (5) perform an annual audit of the management controls on investments and adherence to the City's investment policy; (6) provide specific investment training for the Treasurer, chief financial officer and investment officers; (7) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse 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 September 1, 2020, the City's investable funds were invested in the following categories:

Type of Investment	Market Value	% of Total
Checking Accounts	$ 3,039,677	100.00%

TAX MATTERS

OPINION . . . On the date of initial delivery of the Bonds, 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 Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds", the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated above, Bond Counsel will express no opinion as to any other federal, state or local tax consequences of the purchase, ownership or disposition of the Bonds. See Appendix C - Form of Bond Counsel's Opinions.

In rendering its opinion, Bond Counsel 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 documents authorizing the Bonds relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith. Failure of the City to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of Bond Counsel is rendered in reliance upon the 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 Bonds.

Bond Counsel's opinion represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations and covenants. Bond Counsel's opinion is not a guarantee of a result. 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 Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the City with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion of Bond Counsel. If an Internal Revenue Service audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City has designated the Bonds as "qualified tax-exempt obligations" within the meaning of section 265(b) of the Code. In furtherance of that designation, the City has covenanted to take such action that would assure, or to refrain from such action that would adversely affect, the treatment of the Bonds as "qualified tax-exempt obligations." **Potential purchasers should be aware that if the issue price to the public exceeds $10,000,000, there is a reasonable basis to conclude that the payment of a de minimis amount of premium in excess of $10,000,000 is disregarded; however, the Internal Revenue Service could take a contrary view. If the Internal Revenue Service takes the position that the amount of such premium is not disregarded, then such obligations might fail to satisfy the aforementioned dollar limitation and the Bonds would not be "qualified tax-exempt obligations."**

CONTINUING DISCLOSURE OF INFORMATION

The offering of the Bonds qualifies for the Rule 15c2-12(d)(2) exemption from Rule 15c2-12(b)(5) regarding the City's continuing disclosure obligations because the City has not issued more than $10,000,000 in aggregate amount of outstanding debt and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, the City in the Ordinance has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data and timely notice of specified material events to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be available to investors by the MSRB through its Electronic Municipal Markets Access ("EMMA") system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data, which is customarily prepared by the City and is publicly available to the MSRB on an annual basis. Such information is currently provided through the City's audited financial statements and annual operating budget. The City will update and provide this information within twelve months after the end of each fiscal year. The City may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12, as amended (the "Rule"). The updated information will include audited financial statements, if the City commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the City will provide unaudited financial statements by the required time and audited financial statements when and if the audit report becomes available.

Any such financial statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation.

The City's current fiscal year end is September 30. Accordingly, it must provide updated information 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.

The information to be filed with the MSRB may also be obtained upon request made to the City, as follows: City Administrator, City of Henrietta, 101 North Main Street, Henrietta, Texas 76365 (940) 538-4316.

NOTICE 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 Bonds 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 Bonds, or other material events affecting the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) Bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City, 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 trustee or the change of name of a trustee, if material; (15) incurrence of a debt obligation of the City or a derivative instrument entered into by the City in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation, or a guarantee by the City 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 debt obligation, derivative instrument, or guarantee 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 debt obligation, derivative instrument, or guarantee 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". Neither the Bonds nor the Ordinance make any provision for a trustee or debt service reserves, credit enhancement (other than bond insurance if a Policy is purchased) or liquidity enhancement. The City will provide each notice described in this paragraph to the MSRB.

For these purposes, any event described in clause (12) of 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.

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.

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

The City may amend its continuing disclosure agreement 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, but only if, (1) the agreement, as so amended, would have permitted underwriters to purchase or sell Bonds in the initial primary offering in compliance with the Rule, taking into account any amendments or interpretations of the Rule to the date of such amendment, as well as such changed circumstances, and (2) either (a) the holders of a majority in aggregate principal amount of the outstanding Bonds consent or (b) any qualified person unaffiliated with the City (such as nationally recognized Bond Counsel) determines that the amendment will not materially impair the interests of the holders and beneficial owners of the Bonds. If the City amends its agreement, it has agreed to include with the financial information and operating data next 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 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 SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Bonds are expected to be rated "AA" (Stable Outlook) by S&P with the understanding that upon delivery of the Bonds, a municipal bond insurance policy insuring the timely payment of the principal and interest on the Bonds will be issued by ASSURED GUARANTY MUNICIPAL CORP. The Bonds and the City's currently outstanding debt have been rated "A+" by

S&P without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from S&P. The ratings reflect only the view of such organization and the City makes no representation as to the appropriateness of the ratings. There is no assurance that any rating will continue for any given period of time or that one or both of the ratings 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 one or both of the ratings, may have an adverse effect on the market price of the Bonds (see "MUNICIPAL BOND INSURANCE RISKS - Claims-Paying Ability and Financial Strength of Municipal Bond Insurers" for a description of the current state of the financial guaranty insurance industry and recent downgrading of multiple financial guaranty insurers).

LITIGATION

At the time of the initial delivery of the Bonds, the City will provide the Underwriter with a certificate to the effect that no litigation of any nature has been filed or is then pending challenging the issuance of the Bonds or that affects the payment and security of the Bonds or in any other manner questioning the issuance, sale or delivery of the Bonds.

REGISTRATION AND QUALIFICATION OF BONDS FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code) provides that the Bonds are negotiable instrument, investment securities governed by Chapter 8, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Bonds by municipalities or other political subdivisions or public agencies of the State of Texas, the Public Funds Investment Act, Chapter 2256, Texas Government Code, requires that the Bonds be assigned a rating of not less than "A" or its equivalent as to investment quality by a national rating agency. See "OTHER INFORMATION - Ratings" herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Bonds are legal investments for state banks, savings banks, trust companies with capital of one million dollars or more, and savings and loan associations. The Bonds are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value

No representation is made that the Bonds will be acceptable to public entities to secure their deposits or acceptable to such institutions for investment purposes. No review by the City has been made of the laws in other states to determine whether the Bonds are legal investments for various institutions in those states. In addition, the City has made no investigation of other laws, rules, regulations or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes.

LEGAL OPINIONS

The City will furnish the Underwriter a complete transcript of proceedings had incident to the authorization and issuance of the Bonds, including the unqualified approving legal opinion of the Attorney General of Texas approving the Initial Bond and to the effect that the Bonds 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 Bonds 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 represents the Financial Advisor and the Underwriter from time to time in matters unrelated to the issuance of the Bonds, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Bonds. 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 "PLAN OF FINANCING – Refunded Obligations," "THE BONDS" (exclusive of subcaptions "Book-Entry-Only System" and "Bondholders' Remedies"), "TAX MATTERS" and "CONTINUING DISCLOSURE OF INFORMATION" (exclusive of the subcaption "Compliance with Prior Undertakings") and the subcaptions "OTHER INFORMATION - Legal Opinions" (exclusive of the last sentence of the first paragraph thereof), "OTHER INFORMATION – Registration and Qualification of Bonds for Sale" and "Other Information - Legal Investments and Eligibility to Secure Public Funds in Texas" in the Official Statement and such firm is of the opinion that the information relating to the Bonds 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 Bonds, such information conforms to the Ordinance. The City expects to pay the legal fee of Bond Counsel for services rendered in connection with the issuance of the Bonds from proceeds of the Bonds. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas, whose legal fee is contingent on the sale and delivery of the Bonds.

The legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of 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

Hilltop Securities Inc. ("HilltopSecurities") is employed as Financial Advisor to the District in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. HilltopSecurities, 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 Bonds, 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.

UNDERWRITING

The Underwriter has agreed, subject to certain conditions, to purchase the Bonds from the City, at a price equal to the initial offering prices to the public, as shown on page 2 hereof, less an underwriting discount of $24,033.25. The Underwriter will be obligated to purchase all of the Bonds if any Bonds are purchased. The Bonds to be offered to the public may be offered and sold to certain dealers (including the Underwriter and other dealers depositing Bonds into investment trusts) at prices lower than the public offering prices of such Bonds and such public offering prices may be changed, from time to time, by the Underwriter.

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

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

INFECTIOUS DISEASE OUTBREAK (COVID-19)

The World Health Organization has declared a pandemic following the outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus (the "Pandemic"), which 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 in connection with COVID-19. On March 13, 2020, the President of the United States (the "President") declared the Pandemic a national emergency and the Texas Governor (the "Governor") declared COVID-19 an imminent threat of disaster for all counties in Texas (collectively, the "disaster declarations"). On March 25, 2020, in response to a request from the Governor, the President issued a Major Disaster Declaration for the State of Texas.

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 this disaster and issuing executive orders that have the force and effect of law. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, the issuance on June 26, 2020 of Executive Order GA-28, as amended on July 2, 2020 which, among other things, provided further guidelines for the reopening of businesses and the maximum threshold level of occupancy related to such establishments. Certain businesses, such as cybersecurity services, child care services, youth camps, recreational programs, and religious services, do not have the foregoing limitations. The Governor's order also states, in providing or obtaining services, every person (including individuals, businesses, and other legal entities) should use good-faith efforts and available resources to follow the minimum standard health protocols. Executive Order GA-28 continued restrictions on nursing homes, state supported living centers, assisted living facilities, or long-term care facilities unless to provide critical assistance. A subsequent Executive Order, GA-29, listed the requirements and exceptions for face coverings. Executive Orders GA-28 (as amended) and GA-29 remain in place until amended, rescinded, or superseded by the Governor.

Since the disaster declarations were made, the Pandemic has negatively affected travel, commerce, and financial markets locally and globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide and within Texas. Stock values and crude oil prices, in the U.S. and globally, have seen significant declines attributed to COVID-19 concerns. Texas may be particularly at risk from any global slowdown, given the prevalence of international trade in the state and the risk of contraction in the oil and gas industry and spillover effects into other industries, including manufacturing.

Such adverse economic conditions, if they continue, could result in declines in the demand for residential and commercial property and could reduce or negatively affect property values or homebuilding activity within the City and/or the collection of sales and other excise taxes, charges, and fees within the City as well as the assets of City pension funds. See "Retirement Plans." The Bonds are secured by an ad valorem tax within the limits prescribed by law, and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Bonds as well as the City's share of operations and maintenance expenses payable from ad valorem taxes. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 taxable assessed valuation for all City purposes.

The City also collects a sales and use tax on all taxable transactions within the City's boundaries, and other fees that depend on business activity (see "Table 14-Municipal Sales Tax History "). Actions taken to slow the Pandemic are expected to continue to reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of taxes, sales revenues and other fees and charges 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 COVID-19 upon the City. While the potential impact of COVID-19 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. The financial and operating data contained herein are the latest available, but are as of dates and for periods prior to the economic impact of the Pandemic and measures instituted to slow it. Accordingly, they are not indicative of the economic impact of the Pandemic on the City's financial condition. See "FINANCIAL INFORMATION" for the City's current fund balances.

The City can make no representation or give any assurance regarding the short or long-term impact that the outbreak of COVID-19 may have on the City or its finances.

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 ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. Reference is made to original documents in all respects.

The Bond Ordinance authorized the Pricing Officer to approve the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Bonds by the Underwriter. This Official Statement will be approved by the Pricing Officer of the City for distribution in accordance with the provisions of the Ordinance and the Rule.

Kelley Bloodworth
Pricing Officer
City of Henrietta, Texas

SCHEDULE I

SCHEDULE OF REFUNDED BONDS

City of Henrietta, Texas

Combination Tax and Revenue Certificates of Obligation, Series 2010

Original Dated Date	Original Maturity (2/15)	Interest Rates	Principal Amount	Call Date	Call Price
June 1, 2010	2021	4.340%	$ 105,000.00	11/12/2020	100%
	2022	4.490%	110,000.00	11/12/2020	100%
	2023	4.640%	115,000.00	11/12/2020	100%
	2024	4.690%	120,000.00	11/12/2020	100%
	2025	4.890%	125,000.00	11/12/2020	100%
	2026	4.990%	130,000.00	11/12/2020	100%
	2027	5.090%	140,000.00	11/12/2020	100%
	2028	5.140%	145,000.00	11/12/2020	100%
	2029	5.190%	155,000.00	11/12/2020	100%
	2030	5.240%	165,000.00	11/12/2020	100%
	2031	5.290%	170,000.00	11/12/2020	100%
	2032	5.340%	180,000.00	11/12/2020	100%
	2033	5.440%	190,000.00	11/12/2020	100%
	2034	5.440%	200,000.00	11/12/2020	100%
	2035	5.440%	215,000.00	11/12/2020	100%
	2036	5.440%	225,000.00	11/12/2020	100%
			$ 2,490,000.00		

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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POPULATION AND LOCATION

The City of Henrietta, 2010 U.S. Census – 3,141, is located in North Texas, 120 miles northwest of Dallas and 29 miles south of the Texas/Oklahoma border. The City of Henrietta is an intersection point for several U.S. and State Highways; these include U.S. Highways 287, 82, State Highway 148 and Farm to Market Road 1197.

The City is the County Seat of Clay County. The County shares the Red River as a border with Oklahoma. The county is a producer of wheat, pecans and beef cattle.

LABOR FORCE ESTIMATES

	Annual Averages				
	2020 [1]	2019	2018	2017	2016
Clay County					
Civilian Labor Force	4,681	4,936	4,926	4,903	4,793
Total Employment	4,420	4,785	4,771	4,731	4,584
Unemployment	261	151	155	172	209
Percent Unemployment	5.6%	3.1%	3.1%	3.5%	4.4%
State of Texas					
Civilian Labor Force	13,795,761	14,045,312	13,816,690	13,538,385	13,317,176
Total Employment	12,724,001	13,551,791	13,285,118	12,960,595	12,702,122
Unemployment	1,071,760	493,521	531,572	577,790	615,054
Percent Unemployment	7.8%	3.5%	3.8%	4.3%	4.6%

Source: Texas Workforce Commission, Labor Market Information Department.
(1) Data as of July 2020.

MAJOR EMPLOYERS

Name of Company	Product or Service	Estimated 2020 Employment [1]
Henrietta ISD	Public School	177
Petrolia ISD	Public School	86
Clay County Memorial Hospital	Hospital	80
Clay County	County Government	75
Four Stars Auto Ranch	Car Dealership	55
Grace Care Center	Nursing Home	42
Victron	Truck Stop	45
Triangle Brick	Manufacturing	40
Pierce Sales	Manufacturing	33
Jolly Truck Stop	Truck Stop	29
		25

(1) Source: the City.

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APPENDIX B

EXCERPTS FROM THE

CITY OF HENRIETTA, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

The information contained in this Appendix consists of excerpts from the City of Henrietta, 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.

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EDGIN, PARKMAN, FLEMING & FLEMING, PC
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MICHAEL D. EDGIN, CPA
DAVID L. PARKMAN, CPA
A. PAUL FLEMING, CPA

Independent Auditor's Report

Mayor and City Council
City of Henrietta, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Henrietta, Texas (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 misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City'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 City'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 net position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of September 30, 2019, and the respective changes in net position, and, where applicable, cash flows thereof and the budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in Net Pension Liability and Related Ratios – Texas Municipal Retirement System, the Schedule of Pension Contributions – Texas Municipal Retirement System, and the Schedule of Changes in Total OPEB Liability and Related Ratios – Texas Municipal Retirement System identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a required 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards,* we have also issued our report dated December 19, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Respectfully submitted,

Edgin, Parkman, Fleming & Fleming, PC

Edgin, Parkman, Fleming & Fleming, PC

December 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Henrietta, Texas, we offer readers of the City's Annual Financial Report this narrative overview and analysis of the City's financial performance during the fiscal year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources at September 30, 2019 by $6,729,190 (net position). Of this amount, $2,345,693 (unrestricted net position) may be used to meet the City's obligations.

- During the year, the City's total net position increased by $304,159. The City's expenses, which totaled $3,306,475, were less than the City's program revenues of $1,890,644 and general revenues of $1,719,990.

- The total cost of the City's programs decreased $12,839, which is less than a 1% decrease from last year due to lower water and sewer expenses in the current year.

- The governmental funds reported a fund balance this year of $2,043,752, which is an increase of $439,234 in comparison with the prior year amount. The increase is due to most revenue categories exceeding budgeted amounts while expenditures were less than the budgeted amounts.

- At the end of the current fiscal year, the unassigned fund balance of the General Fund was $1,804,826, or 116% of the total General Fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

All of the City's services are reported in the government-wide financial statements, including general government and water and sewer services. Property taxes, sales taxes and franchise fees finance most of the general government activities. User charges finance the water and sewer activities. Additionally, all capital and debt financing activities are reported here.

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

The *statement of activities* details how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Therefore, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected property taxes).

Fund Financial Statements

The City uses fund accounting to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant *funds* – not the City as a whole. Some funds are required by State law and or bond covenants. Other funds may be established by the City to control and manage money for particular purposes or to evidence appropriate use of certain taxes, grants, and other special revenues.

The funds of the City can be divided into two categories: governmental funds and proprietary funds.

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

Because the focus on *governmental funds* is narrower than that of 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 short-term financing decisions. Reconciliations are provided for both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. These reconciliations facilitate the comparison between *governmental funds* and *governmental activities*.

The City's governmental funds during 2018-19 included the General Fund and the Hotel/Motel Occupancy Tax Fund.

A ***proprietary fund*** is used to account for operations that are financed similar to those in the private sector. This fund provides both long- and short-term financial information. The City maintains only one proprietary fund, the Water and Sewer Fund. The City uses this fund to report the activities for water and sewer activities.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to obtain a full understanding of the data provided in the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of a government's financial position. Exhibited below in Table 1 are the City's net position summarized for both *governmental activities* and *business-type activities*.

Table 1 - City's Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	$ 2,157,731	$ 1,712,724	$ 1,248,382	$ 1,113,629	$ 3,406,113	$ 2,826,353
Capital assets, net	2,023,393	2,135,186	5,370,682	5,659,943	7,394,075	7,795,129
Total Assets	4,181,124	3,847,910	6,619,064	6,773,572	10,800,188	10,621,482
Deferred Outflows	126,748	67,526	176,739	92,838	303,487	160,364
Current liabilities	42,920	41,650	215,650	200,498	258,570	242,148
Noncurrent liabilities	355,291	283,985	3,634,872	3,697,244	3,990,163	3,981,229
Total Liabilities	398,211	325,635	3,850,522	3,897,742	4,248,733	4,223,377
Deferred Inflows	52,519	55,506	73,233	77,967	125,752	133,473
Net position:						
Net investment in capital assets	1,960,141	2,064,999	2,144,975	2,263,009	4,105,116	4,328,008
Restricted	183,400	179,417	94,981	92,256	278,381	271,673
Unrestricted	1,713,601	1,289,879	632,092	535,436	2,345,693	1,825,315
Total Net Assets	$ 3,857,142	$ 3,534,295	$ 2,872,048	$ 2,890,701	$ 6,729,190	$ 6,424,996

Investment in capital assets (e.g. land, buildings, furniture, and equipment less any related debt used to acquire those assets that is still outstanding) is $4,105,116. 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 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 capital assets themselves cannot be used to liquidate these liabilities. The unrestricted balance of net position of $2,345,693 may be used to meet the City's ongoing obligations.

Changes in Net Position

The City's total revenues were $3,610,634. The governmental activities generated revenues of $2,034,793, or 57%, including 22% from property taxes, 15% from charges for services, and 12% from sales taxes. The remaining 43%, or $1,575,841, comes from the business-type activities which included 37% from charges for services. Table 2 shows the City's revenues for the years ended September 30, 2019 and 2018.

Table 2 - City's Revenues

	2019	Percent	2018	Percent
Governmental Activities				
Charges for services	$ 547,031	15%	$ 528,039	14%
Property taxes	775,401	22%	709,497	19%
Sales taxes	413,235	12%	400,325	10%
Franchise fees	198,512	6%	190,410	5%
Hotel occupancy tax	44,449	1%	53,262	1%
Investment earnings	2,264	0%	735	0%
Miscellaneous	53,901	1%	30,060	1%
Total governmental activities	2,034,793	57%	1,912,328	50%
Business-type activities				
Charges for services	1,343,613	37%	1,397,876	36%
Capital grants and contributions	-	0%	314,941	8%
Property taxes	231,417	6%	236,354	6%
Investment earnings	811	0%	435	0%
Total business-type activities	1,575,841	43%	1,949,606	50%
Total revenues	$ 3,610,634	100%	$ 3,861,934	100%

The total cost of all programs and services was $3,306,475. The City's expenses cover a range of services with 48% related to the water and sewer system, 15% for the street department, and 10% for law enforcement. Exhibited below in Table 3 are the City's expenses for the years ended September 30, 2019 and 2018.

Table 3 - City's Expenses

	2019	Percent	2018	Percent
Governmental activities				
General administration	$ 309,128	10%	$ 295,605	9%
Law enforcement	328,210	10%	330,579	10%
Sanitation department	234,571	7%	232,222	7%
Street department	498,471	15%	478,588	14%
Parks and recreation	142,980	4%	136,043	4%
Other	198,551	6%	202,055	6%
Total governmental activities	1,711,911	52%	1,675,092	50%
Business-type activities				
Water and sewer	1,594,564	48%	1,644,222	50%
Total expenses	$ 3,306,475	100%	$ 3,319,314	100%

Governmental Activities

Table 4 presents the various revenue categories and gross costs of each of the City's functional areas for both the current and prior year. Following the table, we provide explanations for the significant or unusual fluctuations between the two years.

Table 4 - Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 547,031	$ 528,039	$ 1,343,613	$ 1,397,876	$ 1,890,644	$ 1,925,915
Capital grants and contributions	-	-	-	314,941	-	314,941
General revenues:						
Property taxes	775,401	709,497	231,417	236,354	1,006,818	945,851
Sales taxes	413,235	400,325	-	-	413,235	400,325
Franchise fees	198,512	190,410	-	-	198,512	190,410
Other taxes	44,449	53,262	-	-	44,449	53,262
Investment earnings	2,264	735	811	435	3,075	1,170
Miscellaneous	53,901	30,060	-	-	53,901	30,060
Total revenues	2,034,793	1,912,328	1,575,841	1,949,606	3,610,634	3,861,934
Expenses:						
City Council	8,389	8,545	-	-	8,389	8,545
General administration	300,739	295,605	-	-	300,739	295,605
Fire department	55,807	47,811	-	-	55,807	47,811
Street department	498,471	478,588	-	-	498,471	478,588
Sanitation department	234,571	232,222	-	-	234,571	232,222
Parks and recreation	142,980	136,043	-	-	142,980	136,043
Cemetery	56,936	55,803	-	-	56,936	55,803
Tax appraisal and collection	25,205	36,930	-	-	25,205	36,930
Law enforcement	328,210	330,579	-	-	328,210	330,579
Animal control	1,482	1,217	-	-	1,482	1,217
Hotel/Motel tax related expenses	40,467	39,519	-	-	40,467	39,519
Community Center	18,654	12,230	-	-	18,654	12,230
Water and sewer	-	-	1,594,564	1,644,222	1,594,564	1,644,222
Total expenses	1,711,911	1,675,092	1,594,564	1,644,222	3,306,475	3,319,314
Increase (decrease) in net position	$ 322,882	$ 237,236	$ (18,723)	$ 305,384	$ 304,159	$ 542,620

- Capital grants and contributions decreased $314,941 due to the City completing a Community Development Block Grant project as well as a contribution from TXDOT for new sewer lines in the prior year.

- Property tax revenue increased due to higher property values in the current year.

Table 5 presents the net cost of the City's governmental functions (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by local tax dollars and other miscellaneous general revenues.

Table 5 - Net Cost of Governmental Activities

	Governmental Activities			
	2019	Percent	2018	Percent
City Council	$ 8,389	1%	$ 8,545	1%
General administration	126,532	11%	128,409	11%
Fire department	55,807	5%	47,811	4%
Street department	498,471	43%	478,588	42%
Sanitation department	(63,161)	-5%	(58,901)	-5%
Parks and recreation	94,330	8%	95,661	8%
Cemetery	36,636	3%	32,303	3%
Tax appraisal and collection	25,205	2%	36,930	3%
Law enforcement	328,210	28%	330,579	29%
Animal control	5	0%	224	0%
Hotel/Motel occupancy tax	40,467	3%	39,519	3%
Community Center	13,989	1%	7,385	1%
Total governmental activities	$ 1,164,880	100%	$ 1,147,053	100%

Financial Analysis of the City's Funds

As previously stated, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements and segregation for particular purposes.

Governmental Funds

The focus of the City's governmental funds is to provide information on short-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 the City's net resources available for spending at the end of the fiscal year.

As of September 30, 2019, the City's governmental funds reported an ending fund balance of $2,043,752, an increase of $439,234 from the previous year.

General Fund

At the end of the current fiscal year, the ending fund balance for the General Fund was $1,860,352. Of this amount, $55,526 is either nonspendable or committed for special projects/purposes by the City Council. The unassigned portion of the fund balance, $1,804,826, represents 116% of the total General Fund expenditures for the year ended September 30, 2019. The fund balance increased $435,252 in the current fiscal year.

General Fund revenues totaled $1,985,805, an increase of $133,415 or 7% from the preceding year. This increase was mostly due to a significant increase in property tax revenue due to higher property values in the current year.

General Fund expenditures totaled $1,550,553, an increase of $28,296 or less than 2% from the preceding year. This increase is due to a general increase across most areas in the current year.

General Fund Budgetary Highlights

Over the course of the year, the City did not revise its budget. Actual expenditures were $194,394 below final budget amounts. This was due to budget savings in almost all areas as the City continued to curtail spending where possible.

Total revenues were $259,838 above the final budgeted amount due to higher than anticipated revenues in almost all categories.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2019, the City had invested in a broad range of capital assets totaling $7,394,075, net of accumulated depreciation, including buildings, systems, equipment and construction in progress. See Table 6 below.

Table 6 - Capital Assets, Net

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land	$ 187,066	$ 187,066	$ -	$ -	$ 187,066	$ 187,066
Buildings, systems and improvements	693,159	722,214	5,143,338	5,435,779	5,836,497	6,157,993
Furniture and equipment	171,880	180,829	227,344	224,164	399,224	404,993
Infrastructure	971,288	1,045,077	-	-	971,288	1,045,077
Totals	$ 2,023,393	$ 2,135,186	$ 5,370,682	$ 5,659,943	$ 7,394,075	$ 7,795,129

Capital assets, net of accumulated depreciation, decreased $401,054 or 5% from the previous year due to depreciation expense outweighing current year additions. Additional information about the City's capital assets is presented in the notes to the financial statements.

Long-term Debt

At September 30, 2019, the City had $3,288,959 in long-term debt outstanding as shown in Table 7 below.

Table 7 - Long-term Debt

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Capital leases payable	$ 63,252	$ 70,187	$ 48,707	$ 53,820	$ 111,959	$ 124,007
Revenue bonds payable	-	-	3,177,000	3,343,000	3,177,000	3,343,000
	$ 63,252	$ 70,187	$ 3,225,707	$ 3,396,820	$ 3,288,959	$ 3,467,007

Additional information about the City's long-term debt is presented in the notes to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Appraised value used for the 2019-20 budget preparation is up 4% to $126,834,200 from $121,816,754 in the prior year. The tax rate for 2019-20 increased slightly to $.825 per $100 of market value.

General Fund revenues are budgeted to decrease 8% to $1,835,016 from the final 2018-19 revenues of $1,985,805. The City budgets conservatively for revenues each year.

General Fund expenditures are budgeted to increase 14% to $1,779,680 from final 2018-19 expenditures of $1,550,553. Expenditures are expected to increase across all areas.

If these estimates are realized, the City's General Fund's fund balance will increase slightly by September 30, 2020.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact City Hall.

BASIC FINANCIAL STATEMENTS

CITY OF HENRIETTA, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Henrietta Growth Corporation
Assets				
Cash and cash equivalents	$ 1,881,112	$ 976,115	$ 2,857,227	$ 432,983
Investments	32,693	-	32,693	-
Receivables (net):				
Property taxes	43,631	14,058	57,689	-
Sales taxes	82,608	-	82,608	27,536
Franchise fees	30,278	-	30,278	-
Hotel/Motel taxes	12,433	-	12,433	-
Accounts	40,518	174,853	215,371	-
Notes receivable	-	-	-	40,296
Internal balances	11,625	(11,625)	-	-
Prepaid expenses	8,384	-	8,384	-
Inventories	14,449	-	14,449	66,676
Restricted assets:				
Cash and cash equivalents	-	94,981	94,981	-
Capital assets not being depreciated	187,066	-	187,066	-
Capital assets being depreciated (net)	1,836,327	5,370,682	7,207,009	-
Total assets	4,181,124	6,619,064	10,800,188	567,491
Deferred Outflows of Resources				
Pension related	125,500	174,998	300,498	-
OPEB related	1,248	1,741	2,989	-
Total deferred outflows of resources	126,748	176,739	303,487	-
Liabilities				
Accounts payable	42,920	34,695	77,615	-
Interest payable	-	31,203	31,203	-
Customer deposits	-	149,752	149,752	-
Long-term liabilities:				
Portion due or payable within one year	7,088	219,707	226,795	-
Portion due or payable after one year	56,164	3,006,000	3,062,164	-
Net pension liability	270,648	379,338	649,986	-
Net OPEB liability	21,391	29,827	51,218	-
Total liabilities	398,211	3,850,522	4,248,733	-
Deferred Inflows of Resources				
Pension related	49,048	68,392	117,440	-
OPEB related	3,471	4,841	8,312	-
Total deferred inflows of resources	52,519	73,233	125,752	-
Net Position				
Net investment in capital assets	1,960,141	2,144,975	4,105,116	-
Restricted	183,400	94,981	278,381	-
Unrestricted	1,713,601	632,092	2,345,693	567,491
Total net position	$ 3,857,142	$ 2,872,048	$ 6,729,190	$ 567,491

See accompanying notes to the basic financial statements.

CITY OF HENRIETTA, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

		Program Revenues
Functions/Programs	Expenses	Charges for Services
Governmental activities:		
City Council	$ 8,389	$ -
General administration	300,739	174,207
Fire department	55,807	-
Street department	498,471	-
Sanitation department	234,571	297,732
Parks and recreation	142,980	48,650
Cemetery	56,936	20,300
Tax appraisal and collection	25,205	-
Law enforcement	328,210	-
Animal control	1,482	1,477
Hotel/Motel tax related expenses	40,467	-
Community Center	18,654	4,665
Total governmental activities	1,711,911	547,031
Business-type activities:		
Water & sewer	1,594,564	1,343,613
Total	$ 3,306,475	$ 1,890,644
Component Unit - Henrietta Growth Corporation	$ 110,053	$ -

General revenues:

Taxes:

Property tax

Sales tax

Franchise fees

Hotel/Motel taxes

Investment earnings

Miscellaneous

Total general revenues

Change in net position

Net position - beginning, as originally stated

Prior period adjustment

Net position - beginning, as restated

Net position - ending

See accompanying notes to the basic financial statements.

EXHIBIT A-2

Net (Expense) Revenue and Changes in Net Position							
Primary Government							
Governmental Activities		Business-type Activities		Total		Component Unit	
$	(8,389)	$	-	$	(8,389)	$	-
	(126,532)		-		(126,532)		-
	(55,807)		-		(55,807)		-
	(498,471)		-		(498,471)		-
	63,161		-		63,161		-
	(94,330)		-		(94,330)		-
	(36,636)		-		(36,636)		-
	(25,205)		-		(25,205)		-
	(328,210)		-		(328,210)		-
	(5)		-		(5)		-
	(40,467)		-		(40,467)		-
	(13,989)		-		(13,989)		-
	(1,164,880)		-		(1,164,880)		-
	-		(250,951)		(250,951)		-
	(1,164,880)		(250,951)		(1,415,831)		-
	-		-		-		(110,053)
	775,401		231,417		1,006,818		-
	413,235		-		413,235		137,745
	198,512		-		198,512		-
	44,449		-		44,449		-
	2,264		811		3,075		1,137
	53,901		-		53,901		-
	1,487,762		232,228		1,719,990		138,882
	322,882		(18,723)		304,159		28,829
	3,534,260		2,890,771		6,425,031		509,524
	-		-		-		29,138
	3,534,260		2,890,771		6,425,031		538,662
$	3,857,142	$	2,872,048	$	6,729,190	$	567,491

CITY OF HENRIETTA, TEXAS

BALANCE SHEET - GOVERNMENTAL FUNDS

SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	$ 1,729,068	$ 152,044	$ 1,881,112
Investments	32,693	-	32,693
Receivables (net):			
Property taxes	43,631	-	43,631
Sales taxes	82,608	-	82,608
Franchise fees	2,850	-	2,850
Hotel/Motel taxes	-	12,433	12,433
Accounts	40,518	-	40,518
Other City funds	11,625	18,923	30,548
Prepaid expenditures	8,384	-	8,384
Inventories	14,449	-	14,449
Total assets	$ 1,965,826	$ 183,400	$ 2,149,226
Liabilities			
Accounts payable	$ 42,920	$ -	$ 42,920
Payable to other City funds	18,923	-	18,923
Total liabilities	61,843	-	61,843
Deferred inflows of resources			
Unavailable revenues	43,631	-	43,631
Fund balances			
Nonspendable	22,833	-	22,833
Restricted	-	183,400	183,400
Committed:			
Fire department	32,693	-	32,693
Unassigned	1,804,826	-	1,804,826
Total fund balances	1,860,352	183,400	2,043,752
Total liabilities, deferred inflows of resources and fund balances	$ 1,965,826	$ 183,400	$ 2,149,226

See accompanying notes to the basic financial statements.

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

Total fund balances - governmental funds (Exhibit A-3)		$ 2,043,752
Amounts reported for *governmental activities* in the Statement of Net Position (Exhibit A-1) are different because:		
Capital assets used in governmental activities are not financial resources and therefore not reported in the funds. Capital assets at year-end consist of:		
Gross capital assets	$ 4,385,168	
Related accumulated depreciation	2,361,775	2,023,393
Property taxes receivable are not available to pay for current period expenditures and therefore are reported as deferred inflows of resources in the funds.		43,631
Franchise fees receivables are only recognized at the fund level when they are measurable and available within 60 days of year-end. Franchise fees receivables are recognized as they are earned at the government-wide level.		27,428
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of a capital lease payable.		(63,252)
The City's net pension liability and related deferred outflows and inflows related to its participation in the Texas Municipal Retirement System do not meet criteria to be reported in the governmental funds financial statements. These items consist of:		
Net pension liability	270,648	
Deferred outflows - pension related items	(125,500)	
Deferred inflows - pension related items	49,048	(194,196)
The City's net OPEB (other post-employment benefit) liability and related deferred outflows and inflows related to the Supplemental Death Benefit Fund (SDBF) from the Texas Municipal Retirement System do not meet criteria to be reported in the governmental funds financial statements. These items consist of:		
Net OPEB liability	21,391	
Deferred outflows - OPEB related items	(1,248)	
Deferred inflows - OPEB related items	3,471	(23,614)
Total net position - governmental activities (Exhibit A-1)		$ 3,857,142

See accompanying notes to the basic financial statements.

EXHIBIT A-5

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

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	$ 774,147	$ -	$ 774,147
Sales taxes	413,235	-	413,235
Hotel/Motel taxes	-	44,449	44,449
Franchise fees	195,227	-	195,227
Charges for services	325,101	-	325,101
Fines	62,456	-	62,456
Inspections	20,800	-	20,800
Interest income	2,264	-	2,264
Miscellaneous	187,910	-	187,910
Community Center	4,665	-	4,665
Total revenues	1,985,805	44,449	2,030,254
Expenditures			
City council	8,389	-	8,389
General administration	296,934	-	296,934
Fire department	50,072	-	50,072
Street department	419,416	-	419,416
Sanitation department	233,761	-	233,761
Parks and recreation	118,886	-	118,886
Cemetery	56,353	-	56,353
Tax appraisal and collection	25,205	-	25,205
Law enforcement	328,210	-	328,210
Animal control	1,376	-	1,376
Hotel/Motel tax related expenditures	-	40,467	40,467
Community Center	11,951	-	11,951
Total expenditures	1,550,553	40,467	1,591,020
Net change in fund balance	435,252	3,982	439,234
Fund balances - beginning	1,425,100	179,418	1,604,518
Fund balances - ending	$ 1,860,352	$ 183,400	$ 2,043,752

See accompanying notes to the basic financial statements.

CITY OF HENRIETTA, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Net change in fund balances - total governmental funds (Exhibit A-5)		$ 439,234
Amounts reported for *governmental activities* in the Statement of Activities (Exhibit A-2) are different because:		
Capital outlays are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets are allocated over their estimated useful lives as depreciation expense. The net difference between the two is as follows:		
Capital outlay during the year	$ 20,361	
Depreciation expense for the year	132,154	(111,793)
Because property tax receivables will not be collected for several months after the City's fiscal year ends, they are not considered 'available' revenues and are deferred in the governmental funds. Deferred inflows of resources increased by this amount this year.		1,254
Because some franchise fees receivable are not collected within 60 days of year-end, they are only accrued at the government-wide level. These receivables increased by this amount this year.		3,285
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. Principal payments during the year were:		6,935
The City participates in an agent multiple-employer defined benefit pension plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, pension expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		(14,299)
The City participates in a single-employer defined benefit OPEB plan. Contributions to the plan are expenditures at the fund level when payments are due. At the government-wide level, OPEB expenses are recognized on an actuarial basis. Payments were less than the actuarial expense in the current year.		(1,734)
Change in net position of governmental activities (Exhibit A-2)		$ 322,882

See accompanying notes to the basic financial statements.

EXHIBIT A-7

CITY OF HENRIETTA, TEXAS
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
SEPTEMBER 30, 2019

	Enterprise Fund
	Water & Sewer Fund
Assets	
Cash and cash equivalents	$ 976,115
Receivables (net):	
Property taxes	14,058
Accounts	174,853
Restricted assets:	
Cash and cash equivalents	94,981
Capital assets being depreciated (net)	5,370,682
Total assets	6,630,689
Deferred outflows of resources	
Pension-related	174,998
OPEB-related	1,741
Total deferred outflows of resources	176,739
Liabilities	
Accounts payable - trade	34,695
Payable to other City funds	11,625
Interest payable	31,203
Customer deposits	149,752
Long-term liabilities:	
Portion due or payable within one year	219,707
Portion due or payable after one year	3,006,000
Net pension liability	379,338
Net OPEB liability	29,827
Total liabilities	3,862,147
Deferred inflows of resources	
Pension-related	68,392
OPEB-related	4,841
Total deferred inflows of resources	73,233
Net position	
Net investment in capital assets	2,144,975
Restricted	94,981
Unrestricted	632,092
Total net position	$ 2,872,048

See accompanying notes to the basic financial statements.

CITY OF HENRIETTA, TEXAS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund Water & Sewer Fund
Operating revenues:	
Water revenue	$ 876,228
Sewer revenue	412,836
Water taps	5,235
Sewer taps	3,150
Reconnect charges	9,400
Penalty revenue	34,970
Miscellaneous revenue	1,794
Total operating revenues	1,343,613
Operating expenses:	
Office and administration	242,992
Water utility	665,445
Waste water	191,424
Depreciation and amortization	328,861
Total operating expenses	1,428,722
Operating loss	(85,109)
Nonoperating revenues (expenses):	
Property taxes	231,417
Interest income	811
Interest expense	(165,842)
Total nonoperating revenues (expenses)	66,386
Change in net position	(18,723)
Net position - beginning	2,890,771
Net position - ending	$ 2,872,048

See accompanying notes to the basic financial statements.

EXHIBIT A-9

CITY OF HENRIETTA, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund Water & Sewer Fund
Cash flows from operating activities:	
Received from customers	$ 1,345,124
Payments to employees	(410,188)
Payments to suppliers	(656,782)
Net cash provided by operating activities	278,154
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(39,600)
Property taxes received	231,658
Principal paid on long-term debt	(171,113)
Interest paid on long-term debt	(168,061)
Net cash used for capital and related financing activities	(147,116)
Cash flows from investing activities:	
Interest on investments	811
Net Increase in Cash and Cash Equivalents	131,849
Cash and Cash Equivalents - Beginning	939,247
Cash and Cash Equivalents - Ending	$ 1,071,096
Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:	
Operating loss	$ (85,109)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation and amortization	328,861
Customer deposits received	4,700
(Increase) decrease in assets and deferred outflows of resources:	
Customer receivables	(3,189)
Deferred outflows of resources - pension related	(85,012)
Deferred outflows of resources - OPEB related	1,111
Increase (decrease) in liabilities and deferred inflows of resources:	
Accounts payable	12,671
Net pension liability	112,611
Net OPEB liability	(3,756)
Deferred inflows of resources - pension related	(9,575)
Deferred inflows of resources - OPEB related	4,841
Total adjustments	363,263
Net cash provided by operating activities	$ 278,154
Reconciliation of cash and cash equivalents on the balance sheet to the statement of cash flows:	
Cash and cash equivalents	$ 976,115
Restricted assets - cash and cash equivalents	94,981
Total cash and cash equivalents at the end of the year	$ 1,071,096

See accompanying notes to the basic financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The City is a municipal corporation governed by an elected Mayor and four-member City Council. These financial statements present the City and its component units, entities for which the City is considered to be financially accountable. A discretely presented component unit is reported in a separate column in the basic financial statements to emphasize it is legally separate from the City. The discretely presented component unit has a September 30th year end.

Discretely Presented Component Unit

The Henrietta Growth Corporation is a non-profit corporation for the purpose of increasing employment opportunities, primarily through assisting qualifying enterprises with funds provided by a portion of the local sales tax. Assistance may be in the form of incentive grants, loans or leases which call for discounted rates or rebates for job development. The Corporation operates under the authority of Vernon's Civil Statutes, Article 5190.6, Section 4B. Since the City Council appoints its Board of Directors, approves its budgets, and exercises final authority over its operations, the Henrietta Growth Corporation is considered to be part of the City's reporting entity and presented in the accompanying basic financial statements as a discretely presented component unit. The Henrietta Growth Corporation utilizes full accrual accounting.

B. Basis of Presentation

Government-wide financial statements

The basic financial statements include both government-wide (based on the City as a whole) 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 the non-fiduciary activities of the City. For the most part, the effects of interfund activity have been removed from these statements.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a functional category (public works, public transportation, etc.) or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting operational requirements of a particular function or segment, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported instead as general revenues.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Fund financial statements

Separate fund-based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for governmental and enterprise) for the determination of major funds. The major governmental fund is the General Fund. The major enterprise fund is the Water and Sewer Fund.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

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

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

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

Property taxes, sales taxes and franchise fees associated with the current fiscal period are susceptible to accrual and have been recognized as revenues of the current fiscal period.

The City reports the following major governmental fund:

> The General Fund is the City's primary operating fund. All general tax revenues and other receipts, including sanitation revenue, that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid general operating costs, fixed charges, and capital improvement costs that are not paid through other funds.

Other governmental funds are a summarization of all the non-major governmental funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

The City reports the following major enterprise fund:

The Water and Sewer Fund accounts for water and sewer services provided to the residents of the City. Activities necessary to provide such services are accounted for in the fund, including, but not limited to, administration, operations, maintenance, finance and related debt service.

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 City's Water and Sewer Fund are charges to customers for services. Operating expenses for the enterprise fund include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues not meeting this definition are reported as nonoperating revenues and expenses.

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

E. Assets, liabilities and net position or equity

1. Cash, cash equivalents 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.

Investments are carried at fair value. Fair value is determined as the price at which two willing parties would complete an exchange. Interest earned on investments is recorded in the funds in which the investments are recorded.

2. Capital Assets

Capital assets, which include land, buildings and improvements, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items), are reported in the government-wide financial statements. The City defines capital assets as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the time received.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Capital assets are depreciated using the straight line method over the following useful lives:

Assets	Years
Buildings, systems and improvements	20-50 years
Equipment	5-15 years
Infrastructure	10 years

3. Inventories

Inventories on the balance sheet are stated at cost. Inventory items are recorded as expenditures when they are consumed.

4. Deferred Outflows/Inflows of Resources

Deferred outflows of resources refers to the consumption of net position that is applicable to a future reporting period. Deferred outflows of resources has a positive effect on net position, similar to assets. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred outflows of resources are not assets.

Deferred inflows of resources refers to the acquisition of net position that is applicable to a future reporting period. Deferred inflows of resources has a negative effect on net position, similar to liabilities. Notwithstanding the similarities, Concepts Statement 5 clearly establishes that deferred inflows of resources are not liabilities.

5. Long-Term Obligations

Long-term debt and other obligations for general government purposes are recorded in the government-wide statement of net position.

For the government-wide financial statements, bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method in the government-wide financial statements. Bonds payable are reported net of the applicable bond premium or discount. Issuance costs are expensed as incurred.

In the governmental fund-level financial statements, bond proceeds are reported as another financing source. Bond premiums and discounts in governmental funds are also recognized currently as other financing sources or uses. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

6. Fund Balances – Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance – represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

Restricted Fund Balance – represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance – represents amounts that can only be used for a specific purpose because of a formal action by the City Council. Committed amounts cannot be used for any other purpose unless the governing board removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the governing board. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance – represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the governing board or by an official or body to which the governing board delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the General Fund convey that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance – represents amounts which are unconstrained in that they may be spent for any purpose. Only the General Fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

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

7. Transactions Between Funds

Outstanding balances between funds are reported as "due to/from other funds." Nonrecurring or non-routine transfers of equity between funds are accounted for as transfers.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D.)

8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; business interruption; errors and omissions; injuries to employees; employee health benefits; and other claims of various natures. The City participates in the Texas Municipal League Intergovernmental Risk Pool (TML). TML is a self-funded pool operating as a common risk management and insurance program. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however each category of coverage has its own level of reinsurance. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Accordingly, actual results could differ from these estimates.

F. Pension Plan

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 to TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

G. Other Post-Employment Benefits

The fiduciary net position of the TMRS Supplemental Death Benefit Fund (SDBF) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about assets, liabilities and additions to/deductions from the SDBF's fiduciary net position. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go-plan and all cash is held in a cash account.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY

A. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures", violations of finance-related legal and contractual provisions are reported below, along with actions taken to address such violations.

For the year ended September 30, 2019, the City had no violations of finance-related legal and contractual provisions.

NOTE 2 - COMPLIANCE AND ACCOUNTABILITY (CONT'D.)

B. Deficit Fund Balance or Net Position of Individual Funds

As of September 30, 2019, there were no funds with a deficit fund balance or deficit net position.

NOTE 3 - DEPOSITS AND INVESTMENTS

A. Deposits

All of the City's demand and time depository accounts are held in local banking institutions. At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $2,984,901 and the bank balance was $3,044,727. The City's cash deposits at September 30, 2019, and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

At September 30, 2019, the carrying amount of the component unit's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $432,983 and the bank balance was $434,641. The component unit's cash deposits at September 30, 2019, and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the component unit's agent bank in the component unit's name.

B. Investments

The City is required by Government Code Chapter 2256, The Public Funds Investment Act (Act) to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, maturity and the quality and capability of investment management; include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

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

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

The City's investments at September 30, 2019, are shown below:

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

Investment or Investment Type	Weighted Maturity (Months)	Fair Value
Certificate of deposit	12	$ 32,693

C. Analysis of Specific Deposit and Investment Risks

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

1. Credit Risk

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

2. Custodial Credit Risk

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

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

   At year end, the City was not exposed to custodial credit risk.

3. Concentration of Credit Risk

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

4. Interest Rate Risk

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

5. Foreign Currency Risk

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

NOTE 3 - DEPOSITS AND INVESTMENTS (CONT'D.)

D. Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

NOTE 4 - PROPERTY TAXES

Property taxes attach as an enforceable lien on property as of January 1 of the prior year. Taxes are levied on October 1, and do not begin to accrue interest until February 1. The City is permitted by the Municipal Finance Law of the State of Texas to levy taxes (exclusive of those amounts levied to service long-term debt) up to $2.25 per $100 of assessed valuation. The City's tax rate for the current year was $0.81531 per $100 in assessed valuation.

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

At September 30, 2019, net property taxes receivable is calculated as follows:

	General Fund	Water and Sewer Fund	Totals
Gross property taxes receivable	$61,646	$19,326	$80,972
Allowance for uncollectible taxes	(18,015)	(5,268)	(23,283)
Net property taxes receivable	$43,631	$14,058	$57,689

NOTE 5 - RESTRICTED ASSETS

Restricted assets reported in the Water and Sewer Fund, are held for specific purposes in accordance with bond ordinances or other legal restrictions as follows:

For Debt Service:	
Cash and cash equivalents	$ 94,981

NOTE 6 - CAPITAL ASSETS

Capital asset activity for governmental activities for the year ended September 30, 2019, was as follows:

Governmental activities:	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets not being depreciated:				
Land	$ 187,066	$ -	$ -	$ 187,066
Capital assets being depreciated:				
Buildings, systems and improvements	1,053,297	-	-	1,053,297
Furniture and equipment	1,247,976	20,361	72,107	1,196,230
Infrastructure	1,948,575	-	-	1,948,575
Total capital assets being depreciated	4,249,848	20,361	72,107	4,198,102
Less accumulated depreciation for:				
Buildings, systems and improvements	331,083	29,055	-	360,138
Furniture and equipment	1,067,147	29,310	72,107	1,024,350
Infrastructure	903,498	73,789	-	977,287
Total accumulated depreciation	2,301,728	132,154	72,107	2,361,775
Total capital assets being depreciated, net	1,948,120	(111,793)	-	1,836,327
Governmental activities capital assets, net	$2,135,186	($111,793)	$ -	$2,023,393

Depreciation expense was charged to functions as follows:

Governmental activities:	
General administration	$ 1,062
Fire department	5,735
Street department	94,653
Sanitation	810
Parks and recreation	22,502
Cemetery	583
Animal control	106
Community Center	6,703
Total governmental depreciation	$132,154

Capital asset activity for business-type activities for the year ended September 30, 2019, was as follows:

NOTE 6 - CAPITAL ASSETS (CONT'D.)

Business-type activities:	Balance October 1, 2018	Increases	Decreases	Balance September 30, 2019
Capital assets being depreciated:				
Building, system and improvements	$11,324,797	$ -	$ -	$11,324,797
Equipment	595,424	39,600	25,351	609,673
Total capital assets being depreciated	11,920,221	39,600	25,351	11,934,470
Less accumulated depreciation for:				
Building, system and improvements	5,889,017	292,442	-	6,181,459
Equipment	371,261	36,419	25,351	382,329
Total accumulated depreciation	6,260,278	328,861	25,351	6,563,788
Total capital assets being depreciated, net	$ 5,659,943	($289,261)	$ -	$5,370,682

NOTE 7 - LONG-TERM LIABILITIES

Long-term liabilities transactions for the year ended September 30, 2019, are summarized as follows:

	Balance 10/1/18	Issued	Retired	Balance 9/30/19	Due Within One Year
Governmental Activities:					
Capital lease payable	$ 70,187	$ -	$ 6,935	$ 63,252	$ 7,088
Business-type Activities:					
Revenue bonds	$3,343,000	$ -	$166,000	$3,177,000	$171,000
Capital lease payable	53,820	-	5,113	48,707	48,707
Total business-type activities	$3,396,820	$ -	$171,113	$3,225,707	$219,707

Revenue Bonds

The revenue bonds consist of the Waterworks and Sewer System Junior Lien Revenue Bonds, Series 1986 and Combination Tax and Revenue Bonds, Series 2011. The bonds carry interest rates of 5.00% and 5.44%, respectively. The bonds were issued to improve the City's water and sewer systems and are serviced by the net revenues of the Water and Sewer Fund as well as a portion of the City's ad valorem taxes.

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

Debt service requirements on the revenue bonds are as follows:

NOTE 7 - LONG-TERM LIABILITIES (CONT'D.)

Year Ending September 30,	Business-type Activities Principal	Interest	Total
2020	$ 171,000	$ 159,506	$ 330,506
2021	176,000	151,608	327,608
2022	199,000	143,310	342,310
2023	204,000	133,722	337,722
2024	209,000	123,790	332,790
2025-2029	873,000	468,253	1,341,253
2030-2034	905,000	247,018	1,152,018
2035-2036	440,000	24,208	464,208
Totals	$3,177,000	$1,451,415	$4,628,415

Capital Leases Payable

In the Governmental Activities, the City entered into a capital lease agreement for the purchase of a backhoe in January 2017. The original amount of the lease was $85,454. The interest rate on the lease is 2.20%.

The gross amount of the backhoe recorded in capital assets for Governmental Activities is $85,454. As of September 30, 2019, accumulated depreciation on the backhoe is $19,500. Therefore, the net value of capital assets acquired under capital lease for Governmental Activities is $65,954.

In the Business-type Activities, the City entered into a capital lease agreement for the purchase of a backhoe in September 2016. The original amount of the lease was $68,489. The interest rate on the lease is 2.25%.

The gross amount of the backhoe recorded in capital assets for Business-type Activities is $90,989. As of September 30, 2019, accumulated depreciation on the backhoe is $38,374. Therefore, the net value of capital assets acquired under capital lease for Governmental Activities is $52,615.

Debt service requirements on the capital leases payable at September 30, 2019 are as follows:

Year Ending September 30,	Governmental Activities Principal	Interest	Total
2020	$ 7,088	$1,393	$ 8,481
2021	7,241	1,240	8,481
2022	48,923	1,078	50,001
Totals	$63,252	$3,711	$66,963

NOTE 7 - LONG-TERM LIABILITIES (CONT'D.)

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2020	$48,707	$1,042	$49,749

Aggregate maturities of all long-term debt (principal and interest) for the years subsequent to September 30, 2019 are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2020	$ 7,088	$1,393	$8,481
2021	7,241	1,240	8,481
2022	48,923	1,078	50,001
Totals	$63,252	$3,711	$66,963

Year Ending September 30,	Business-type Activities		
	Principal	Interest	Total
2020	$ 219,707	$ 160,548	$ 380,255
2021	176,000	151,608	327,608
2022	199,000	143,310	342,310
2023	204,000	133,722	337,722
2024	209,000	123,790	332,790
2025-2029	873,000	468,253	1,341,253
2030-2034	905,000	247,018	1,152,018
2035-2036	440,000	24,208	464,208
Totals	$3,225,707	$1,452,457	$4,678,164

NOTE 8 - INTERFUND BALANCES

Balances due to and from other funds at September 30, 2019, were as follows:

Due to Fund	Due from Fund	Amount	Reason
General Fund	Enterprise Fund	$11,625	Loan for bond projects
Other Governmental Funds	General Fund	18,923	Loan for operating deficits
Total		$30,548	

The balance due to the General Fund from the Enterprise Fund will be repaid within one year. The balance due to Other Governmental Funds from the General Fund is expected to be repaid over the next three years.

NOTE 9 - DEFINED BENEFIT PENSION PLAN

A. 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.tmrs.com*.

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

B. Benefits Provided

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

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

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	13
Inactive employees entitled to but not yet receiving benefits	15
Active employees	17

C. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the participating city matching percentages are either 100%, 150%, or 200%, both as adopted by the governing body of the participating 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 of the City were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City were 14.64% and 14.80% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $103,477, and were equal to the required contributions.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

D. Net Pension Liability

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

Actuarial Assumptions

The Total Pension Liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% per year
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by a factor of 85.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Combined Healthy Mortality Table with Blue Collar Adjustment is used with male rates multiplied by 109% and female rates multiplied by 103% with a 3-year set forward for both males and females. In addition, a 3% minimum mortality rate is applied to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal (EAN) actuarial cost method and a one-time change to the amortization policy. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

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 weighing 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, TMRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of arithmetic real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

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

Discount Rate

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

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balances as of December 31, 2017	$2,813,854	$2,357,238	$456,616
Changes for the year:			
Service cost	114,146	-	114,146
Interest on total pension liability	189,706	-	189,706
Change in benefit terms	-	-	-
Difference between expected and actual experience	(36,673)	-	(36,673)
Change in assumptions	-	-	-
Contributions – employer	-	98,648	(98,648)
Contributions – employee	-	47,168	(47,168)
Net investment income	-	(70,572)	70,572
Benefit payments, including refunds of employee contributions	(120,925)	(120,925)	-
Administrative expense	-	(1,365)	1,365
Other changes	-	(70)	70
Balances as of December 31, 2018	$2,960,108	$2,310,122	$649,986

Sensitivity Analysis

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

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Net pension liability	$1,081,131	$649,986	$298,345

NOTE 9 - DEFINED BENEFIT PENSION PLAN (CONT'D.)

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 at www.tmrs.com.

E. Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

For the year ended September 30, 2019, the City recognized pension expense of $135,498.

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 experience	$ 9,970	$ 29,020
Changes in assumptions	-	-
Net difference between projected and actual earnings	209,533	88,420
Contributions made subsequent to measurement date	80,995	-
Total	$300,498	$117,440

$80,955 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2019	$ 36,557
2020	4,954
2021	14,615
2022	45,937
Total	$102,063

NOTE 10 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The City participates in a defined benefit group-term life insurance plan administered by the TMRS known as the Supplemental Death Benefits Fund (SDBF). The plan is administered as a single-employer plan. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not retirees. 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 an other 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).

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.

B. Benefits Provided

The SDBF provides a death benefit for retirees which is considered an other postemployment benefit (OPEB) and is a fixed amount of $7,500.

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	8
Inactive employees entitled to but not yet receiving benefits	3
Active employees	17

C. Total OPEB Liability

The City's Total OPEB Liability is based on an actuarial valuation performed as of December 31, 2018 and a measurement date of December 31, 2018.

Actuarial Assumptions

1. General inflation – General inflation is assumed to be 2.5% per year.

2. Discount rates – Because the SDBF is considered to be 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.

NOTE 10 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONT'D.)

3. Individual salary increases – Salary increases are assumed to occur once a year, on January 1. Therefore, the pay used for the period year following the valuation date is equal to the reported pay for the prior year, increased by the salary increase assumption. Salaries are assumed to increase on a graduated service-based scale ranging from 3.5% to 10.50%.

4. Termination rates – For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility.

5. Forfeiture rates (withdrawal of member deposits from TMRS) – These rates for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates.

6. Service retirees and beneficiary mortality rates – For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

7. Disabled annuitant mortality rates – For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males multiplied by 109% and female rates multiplied by 103% with a 3-year set-forward for both males and females. In addition, a 3% mortality rate will be applied to reflect the impairment of 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.

8. Pre-retirement mortality - For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with males multiplied by 54.5% and female rates multiplied by 51.5%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

NOTE 10 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONT'D.)

Changes in Total OPEB Liability

	Total OPEB Liability
Balances as of December 31, 2017	$57,492
Changes for the year:	
Service cost	2,695
Interest on total pension liability	1,941
Change in benefit terms	-
Difference between expected and actual experience	(6,791)
Change in assumptions or other inputs	(3,715)
Benefit payments	(404)
Net changes	(6,274)
Balances as of December 31, 2018	$51,218

Sensitivity Analysis

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 be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate.

	1% Decrease 2.71%	Current Discount Rate 3.71%	1% Increase 4.71%
Total OPEB liability	$61,332	$51,218	$43,304

NOTE 10 - DEFINED OTHER POSTEMPLOYMENT BENEFIT PLAN (CONT'D.)

D. Related to OPEB OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2019, the City recognized OPEB expense of $5,106.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$5,373
Changes in assumptions	2,612	2,939
Contributions made subsequent to measurement date	377	-
Total	$2,989	$8,312

$377 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31:	
2019	($1,258)
2020	(1,258)
2021	(1,454)
2022	(1,730)
Total	($5,700)

NOTE 11 - COMMITMENTS AND CONTINGENCIES

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The City is a defendant in a lawsuit that was served subsequent to September 30, 2019. Any liability resulting from this action would be fully covered under the City's insurance policy and therefore would not result in a significant impact on the City's financial condition.

NOTE 12 - FIREMEN'S RELIEF AND RETIREMENT FUND

The City participates in the Texas Firemen's Relief and Retirement Fund on behalf of its volunteer firemen. Under this plan, the City contributes an amount on behalf of each fireman enrolled in the plan. The City's contributions to this plan totaled $12,600 for the year ended September 30, 2019.

NOTE 13 - COMPONENT UNIT NOTES RECEIVABLE

During the year ended September 30, 2017, the Henrietta Growth Corporation funded an economic development loan to a local business. The loan was for $20,000 and is scheduled to be repaid over 5 years at an interest rate of 3%.

During the year ended September 30, 2018, the Henrietta Growth Corporation funded an economic development loan to a local business. The loan was for $30,000 and is scheduled to be repaid over 15 years at an interest rate of 1%.

The notes are scheduled to be repaid as follows:

Year Ending September 30,	Principal	Interest	Total
2020	$ 4,886	$ 589	$ 5,475
2021	5,017	458	5,475
2022	4,792	323	5,115
2023	906	256	1,162
2024	916	246	1,162
2025-2029	4,717	1,095	5,812
2030-2032	19,062	372	19,434
Totals	$ 40,296	$ 3,339	$ 43,635

NOTE 14 – PRIOR PERIOD ADJUSTMENT

During the year ended September 30, 2019, the City discovered an error in the amounts reported at September 30, 2018 for the Henrietta Growth Corporation. The Corporation funded a loan for a local business during fiscal year 2018. The loan was incorrectly reported as an expense in the financial statements for the year ended September 30, 2018. A loan payment received during that year was recorded as a revenue instead of a reduction to the note balance. This reporting was corrected in the current year, which resulted in an increase to beginning net position of the Henrietta Growth Corporation of $29,138. This change would have decreased expenses of the Corporation in the amount of $30,000 for the year ended September 30, 2018 and decreased revenues by $862.

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APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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McCALL
PARKHURST & HORTON

Proposed Form of Opinion of Bond Counsel

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

CITY OF HENRIETTA, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2020
IN THE AGGREGATE PRINCIPAL AMOUNT OF $2,355,000

AS BOND COUNSEL for the City of Henrietta, Texas (the "Issuer"), the issuer of the Bonds described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates specified in the text of the Bonds, at the rates and payable on the dates as stated in the text of the Bonds, maturing, unless redeemed prior to maturity in accordance with the terms of the Bonds, serially, all in accordance with the terms and conditions stated in the text of the Bonds.

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

BASED ON SAID EXAMINATION, **IT IS OUR OPINION** that the Bonds have been authorized and issued and the Bonds delivered concurrently with this opinion have been duly delivered and that, assuming due authentication, Bonds issued in exchange therefore will have been duly delivered, in accordance with law, and that the Bonds, except as may be limited by laws applicable to the Issuer relating to bankruptcy, reorganization and other similar matters affecting creditors' rights generally, and by governmental immunity and general principles of equity which permit the exercise of judicial discretion, constitute valid and legally binding obligations of the Issuer, and ad valorem taxes sufficient to provide for the payment of the interest on and principal of the Bonds have been levied and pledged for such purpose, within the limit prescribed by law.

IT IS FURTHER OUR OPINION, except as discussed below, that the interest on the Bonds 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 Bonds are not "specified private activity bonds" and that, accordingly, interest on the Bonds will not be included as an individual 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 and assume continuing compliance with, certain representations contained in the federal tax certificate of the Issuer and covenants set forth in the order adopted by the Issuer to authorize the issuance of the Bonds, relating to, among other matters, the use of the project and the investment and expenditure of the proceeds and certain other amounts used to pay or to secure the payment of debt service on the Bonds, the accuracy of which we have not independently verified. We call your attention to the fact that if such representations are determined to be inaccurate or if the Issuer fails to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

EXCEPT AS STATED ABOVE, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds, including the amount, accrual or receipt of interest on, the Bonds. Owners of the Bonds should consult their tax advisors regarding the applicability of any collateral tax consequences of owning the Bonds.

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

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

Respectfully,

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY

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ASSURED GUARANTY MUNICIPAL

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No: -N

BONDS: $ in aggregate principal amount of Effective Date:

Premium: $

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

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which AGM shall have received Notice of Nonpayment, AGM will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by AGM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in AGM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by AGM is incomplete, it shall be deemed not to have been received by AGM for purposes of the preceding sentence and AGM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, AGM shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by AGM hereunder. Payment by AGM to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of AGM under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless AGM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to AGM which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

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

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

This Policy sets forth in full the undertaking of AGM, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, ASSURED GUARANTY MUNICIPAL CORP. has caused this Policy to be executed on its behalf by its Authorized Officer.

ASSURED GUARANTY MUNICIPAL CORP.

By ______________________________
Authorized Officer

A subsidiary of Assured Guaranty Municipal Holdings Inc.
1633 Broadway, New York, N.Y. 10019
(212) 974-0100

Form 500NY (5/90)

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company