OFFICIAL STATEMENT

Dated February 11, 2021

Rating:
S&P: "AA-"
(See "OTHER INFORMATION – Rating" herein)

NEW ISSUE - Book-Entry-Only

In the opinion of Bond Counsel to the City, 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.

$5,460,000
CITY OF DALHART, TEXAS
(Dallam and Hartley Counties)
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

Dated Date: February 1, 2021 **Due: February 15, as shown on page 2**
Interest Accrues from the Delivery Date (defined below)

PAYMENT TERMS . . . Interest on the $5,460,000 City of Dalhart, Texas General Obligation Refunding Bonds, Series 2021 (the "Bonds"), will accrue from the date of the initial delivery and will be payable February 15 and August 15 of each year commencing August 15, 2021, until maturity, 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 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" herein). The initial Paying Agent/Registrar is BOKF, NA, 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 ("Chapter 1207"), and a bond ordinance (the "Bond Ordinance") adopted by the City Council, and constitute general obligations of the City of Dalhart, Texas (the "City"), and are direct obligations, payable from a direct annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance. In the Bond Ordinance, the City Council delegated to an officer of the City, pursuant to Chapter 1207, authority to complete the sale of the Bonds. The terms of sale have been included in a "Pricing Certificate" 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" and "– Security and Source of Payment").

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt, as shown on SCHEDULE I hereto (the "Refunded Obligations"), for debt service savings, and to pay the costs of issuing the Bonds.

CUSIP PREFIX: 234433
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 initial purchaser identified below (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 the facilities of DTC on March 4, 2021 (the "Delivery Date").

CUSIP [1]: 234433

MATURITY SCHEDULE

Principal Amount	Maturity (February 15)	Interest Rate	Initial Yield	CUSIP Suffix [1]
$ 615,000	2022	3.000%	0.100%	DR8
630,000	2023	3.000%	0.160%	DS6
650,000	2024	3.000%	0.220%	DT4
670,000	2025	3.000%	0.300%	DU1
690,000	2026	3.000%	0.400%	DV9
715,000	2027	3.000%	0.480%	DW7
735,000	2028	3.000%	0.600%	DX5
755,000	2029	3.000%	0.720%	DY3

(Interest Accrues from the Delivery Date)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of the American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP services. None of the City, the Financial Advisor or the Underwriter shall be responsible for the selection or correctness of the CUSIP numbers shown herein.

REDEMPTION . . . The Bonds are not subject to redemption prior to their stated maturity (see "THE BONDS – Redemption").

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

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

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.

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 THESE SECURITIES HAVE BEEN REGISTERED, OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF.

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

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The cover page hereof, this page, the appendices and schedule 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 Dalhart is a political subdivision and home rule municipal corporation of the State, located in Dallam and Hartley Counties, Texas. The City covers approximately 5.9 square miles (see "INTRODUCTION - Description of the City").

THE BONDS .... The Bonds are issued as $5,460,000 General Obligation Refunding Bonds, Series 2021. The Bonds are issued as serial Bonds maturing on February 15 in the years 2022 through 2029, inclusive. See "THE BONDS – Description of the Bonds".

PAYMENT OF INTEREST .... Interest on the Bonds accrues from the date of initial delivery and is payable on August 15, 2021, and each February 15 and August 15 thereafter until maturity. See "THE BONDS – Description of the Bonds".

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 ("Chapter 1207"), and a bond ordinance (the "Bond Ordinance") adopted by the City Council, and constitute general obligations of the City of Dalhart, Texas (the "City"). In the Bond Ordinance, the City Council delegated to an officer of the City, pursuant to Chapter 1207, authority to complete the sale of the Bonds. The terms of sale have been included in a "Pricing Certificate" 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" and "– Security and Source of Payment").

SECURITY FOR THE BONDS .... The Bonds constitute direct obligations of the City, payable from an annual ad valorem tax levied on all taxable property within the City, within the limits prescribed by law, as provided in the Bond Ordinance (see "THE BONDS – Security and Source of Payment").

REDEMPTION .... The Bonds are not subject to optional redemption prior to their stated maturity (see "THE BONDS – Redemption").

QUALIFIED TAX-EXEMPT OBLIGATIONS .... The Bonds have been designated as "Qualified Tax-Exempt Obligations" for financial institutions (see "TAX MATTERS – Qualified Tax-Exempt Obligations for Financial Institutions").

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 "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, as shown on SCHEDULE I hereto (the "Refunded Obligations"), for debt service savings, and to pay the costs of issuing the Bonds.

RATING .... The Bonds are rated "AA-" by S&P Global Ratings, a division of Standard & Poor's Financial Services LLC ("S&P") (see "OTHER INFORMATION – Rating").

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. 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 the payment of its ad valorem tax debt.

SELECTED FINANCIAL INFORMATION

Fiscal Year Ended 9/30	Estimated Population [(1)]	Taxable Assessed Valuation [(2)]	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt [(3)]	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt	% of Total Tax Collections
2017	8,368	$ 408,942,088	$ 48,870	$ 10,284,000	2.51%	$ 1,229	101.09%
2018	8,296	469,557,719	56,600	9,324,000	1.99%	1,124	101.27%
2019	8,296	483,866,233	58,325	8,339,000	1.72%	1,005	100.24%
2020	8,296	496,928,789	59,900	9,783,000	1.97%	1,179	99.11% [(5)]
2021	8,296	511,235,780	61,624	8,255,000 [(4)]	1.61%	995	30.71% [(6)]

(1) Source: Texas Municipal Advisory Council.
(2) As reported by the Dallam and Hartley County Appraisal Districts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Includes self-supporting debt. For all years, debt service on Outstanding G.O. Tax Debt was provided from surplus revenues of the Waterworks and Sewer System.
(4) Projected, includes the Bonds and excludes the Refunded Obligations.
(5) Unaudited.
(6) Collections as of November 30, 2020.

For additional information regarding the City, please contact:

Brent Walker Assistant City Manager City of Dalhart 205 Rock Island Ave. Dalhart, Texas 79022 806-244-5511	or	Vince Viaille Managing Director Specialized Public Finance Inc. 4925 Greenville Avenue, Suite 1350 Dallas, Texas 75206 214-373-3911

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Clinton Hale Mayor	6 Years	May, 2021	AG Business
Dwayne Smith Councilmember	5 Months	May, 2021	Retired
Rusty Hancock Councilmember	4 Years	May, 2021	Minister
Brian Walton Councilmember	5 Years	May, 2021	Chief Financial Officer Dalhart School District
Parket Noel Councilmember	1 Month	May, 2021	AG Business
Bryan Brewer Councilmember	5 Years	May, 2021	TKO Gas Company
John Loeppky Councilmember	2 Years	May, 2021	Self-Employed
Sherri Haschke Councilmember	3 Years	May, 2021	Insurance
Tim Yee Councilmember	4 Years	May, 2021	Self-Employed

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service with the City
James Stroud	City Manager	14 Years
Brent Walker	Assistant City Manager	7 Years
Wendy Kleynhans	City Secretary	1 Year

CONSULTANTS AND ADVISORS

Auditors .... Fullerton & Associates, PLLC
Abilene, Texas

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

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

OFFICIAL STATEMENT

RELATING TO

CITY OF DALHART, TEXAS
$5,460,000
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

INTRODUCTION

This Official Statement, which includes the Schedule and Appendices hereto, provides certain information regarding the issuance of the $5,460,000 City of Dalhart, Texas General Obligation Refunding Bonds, Series 2021 (the "Bonds"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance, 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, Specialized Public Finance Inc., Dallas, Texas, by electronic mail or upon payment of reasonable copying, handling, and delivery charges.

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

DESCRIPTION OF THE CITY . . . The City is a political subdivision and municipal corporation of the State, duly organized and existing under the laws of the State, including the City's Home Rule Charter. The City was incorporated in 1903, and adopted its Home Rule Charter in 1906. The City operates under a Council/Manager form of government where the Mayor and eight Councilmembers are elected for two-year staggered terms. The Council formulates operating policy for the City while the City Manager is the chief administrative officer. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, sanitation, health, parks and recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 7,930. The City covers approximately 5.9 square miles.

PLAN OF FINANCING

PURPOSE . . . Proceeds from the sale of the Bonds will be used to refund a portion of the City's outstanding debt, as shown on SCHEDULE I hereto (the "Refunded Obligations"), for debt service savings, and to pay the costs of issuing the Bonds.

REFUNDED OBLIGATIONS . . . The payments due on the Refunded Obligations are to be paid on the redemption date of such Refunded Obligations from funds to be deposited directly with the paying agent for the Refunded Obligations.

THE BONDS

DESCRIPTION OF THE BONDS . . . The Bonds are dated February 1, 2021. The Bonds 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 the initial delivery (anticipated to be March 4, 2021, the "Delivery Date"), will be computed on the basis of a 360-day year consisting of twelve 30-day months, and will be payable on February 15 and August 15 of each year, commencing August 15, 2021, until maturity. 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 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" herein).

AUTHORITY FOR ISSUANCE . . . The Bonds are issued pursuant to the Constitution and general laws of the State, including particularly Texas Government Code, Chapter 1207, as amended ("Chapter 1207"), and the Bond Ordinance adopted by the City Council. In the Bond Ordinance, the City Council delegated to an officer of the City, pursuant to Chapter 1207, authority to complete the sale of the Bonds. The terms of sale have been included in a "Pricing Certificate" which completed the sale of the Bonds to the Underwriter (the Bond Ordinance and the Pricing Certificate are collectively referred to herein as the "Ordinance").

SECURITY AND SOURCE OF PAYMENT . . . The principal of and interest on the Bonds is 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 all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation for all City purposes. The Home Rule Charter of the City adopts the constitutionally authorized maximum tax rate of $2.50 per $100 Taxable Assessed Valuation. Administratively, the Attorney General of the State of Texas will permit allocation of $1.50 of the $2.50 maximum tax rate for all general obligation debt service, as calculated at the time of issuance.

REDEMPTION . . . The Bonds are not subject to optional redemption prior to their stated maturity.

DEFEASANCE . . . The Ordinance provides for the defeasance of the Bonds when the payment of the principal of and premium, if any, on the Bonds, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with the Paying Agent/Registrar, or authorized escrow agent, in trust (1) lawful money of the United States of America sufficient to make such payment or (2) Defeasance Securities that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment, and when proper arrangements have been made by the City with the Paying Agent/Registrar for the payment of its services until all defeased Bonds shall have become due and payable, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Bonds, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharges 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 of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that have been refunded and that, on the date of their acquisition or purchase by the City, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the 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 as Defeasance Securities or that ratings for any other Defeasance Security will be maintained at any particular rating category.

Upon defeasance, all rights of the City to initiate proceedings to call the 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.

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

AMENDMENTS . . . In the Ordinance, the City has reserved the right to amend the Ordinance without the consent of any holder of the Bonds 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, 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.

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's name. The information in this section concerning DTC and the Book-Entry-Only System has been provided by DTC for use in disclosure documents such as this Official Statement. The City believes the source of such information to be reliable, but takes no responsibility for the accuracy or completeness thereof.

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

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

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

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

Redemption notices shall be sent to DTC. If less than all of the Bonds within 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 MMI 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 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 Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but neither the City nor the Underwriter take any responsibility for the accuracy thereof.

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

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.

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

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

Bonds may be assigned by the execution of an assignment form on the respective Bonds or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. New Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bonds being transferred or exchanged, at the 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 "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 will be required to make any transfer, conversion, or exchange of Bonds (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date, or (ii) with respect to any Bond or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date.

RECORD DATE FOR INTEREST PAYMENT. . . The record date ("Record Date") for the interest payable on the Bonds on any interest payment date means the close of business on the 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 registered owner of an 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 establishes specific events of default with respect to the Bonds. If the City defaults in the payment of the principal of or interest on the Bonds when due, or the City defaults in the observance or performance of any of the covenants, conditions, or obligations of the City, the failure to perform which materially, adversely affects the rights of the owners, including but not limited to, their prospect or ability to be repaid in accordance with the Ordinance, and the continuation thereof for a period of 60 days after notice of such default is given by any owner to the City, the Ordinance provides that any registered owner is entitled to seek a writ of mandamus from a court of proper jurisdiction requiring the City to make such payment or observe and perform such covenants, obligations, or conditions. The issuance of a writ of mandamus may be sought if there is no other available remedy at law to compel performance of the Bonds or the Ordinance and the City's obligations are not uncertain or disputed. The remedy of mandamus is controlled by equitable principles, so rests 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. On June 30, 2006 Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W. 3d 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous language." Because it is unclear whether the Texas legislature has effectively waived the City's sovereign immunity from a suit for money damages, holders of the Bonds may not be able to bring such a suit against the City for breach of the covenants in the Bonds or in the Ordinance. Even if a judgment against the City could be obtained, it could not be enforced by direct levy and execution against the City's property. Further, the registered owners cannot themselves foreclose on property within the City or sell property within the City to enforce the tax lien on taxable property to pay the principal of and interest on the Bonds. In *Tooke*, the Court noted the enactment in 2005 of sections 271.151 through .160, Texas Local Government Code (the "Local Government Immunity Waiver Act"), which, according to the Court, waives "immunity from suit for contract claims against most local governmental entities under certain circumstances." The Local Government Immunity Waiver Act covers cities and relates to contracts entered into by cities for providing goods and services to cities.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("*Wasson I*"), that governmental immunity does not imbue a city with derivative immunity when it performs a proprietary, as opposed to a governmental, function in respect to contracts executed by a city. On October 5, 2018, the Texas Supreme Court issued a second opinion to clarify *Wasson I, Wasson Interests LTD. v. City of Jacksonville*, 559 S.W.3d 142 (Tex. 2018) ("*Wasson II*", and together with *Wasson I* "*Wasson*"), ruling 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 at the time it entered into the contract, not at the time of the alleged breach. In *Wasson*, the Court recognized that the distinction between governmental and proprietary functions is not clear. Therefore, in regard to municipal contract cases (as opposed to tort claim cases), it is incumbent on the courts to determine whether a function was governmental or proprietary based upon the statutory and common law guidance at the time of the contractual relationship. 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 authority or for the benefit of the State; these are usually activities that can be, and often are, provided by private persons, and therefore are not done as a branch of the State, and do not implicate the State's immunity since they are not performed under the authority, or for the benefit, of the State as sovereign. Issues related to the applicability of a governmental immunity as they relate to the issuance of municipal debt have not been adjudicated. Each situation will be evaluated based on the facts and circumstances surrounding the contract in question.

As noted above, the Ordinance provides that holders of the Bonds may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). 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 Bonds are qualified with respect to the customary rights of debtors relative to their creditors, by principles of governmental immunity, and by general principles of equity that permit the exercise of judicial discretion.

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

SOURCES OF FUNDS:		
Par Amount of the Bonds	$	5,460,000.00
Reoffering Premium		621,503.85
Total Sources of Funds	$	6,081,503.85
USES OF FUNDS:		
Deposit to Escrow Fund	$	5,941,765.38
Underwriter's Discount		38,401.91
Costs of Issuance/Rounding Amount		101,336.56
Total Uses of Funds	$	6,081,503.85

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in the State in response to the Pandemic, which disaster declaration was extended and is still in effect. Under State law, the proclamation of a state of disaster by the Governor may not continue for more than 30 days unless renewed by the Governor. The Governor has renewed this declaration monthly, most recently on January 5, 2021. 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 (including TEA, as hereinafter defined) that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. The Governor has since issued a number of executive orders relating to COVID-19 preparedness and mitigation. These include, for example, Executive Order GA-29 (July 2, 2020) that lists the requirements and exceptions for face coverings and Executive Order GA-30 (September 17, 2020) that, among other things (i) continues restrictions on bars, (ii) increases maximum restaurant capacity from 50% to 75%, (iii) limits outdoor gatherings to 10 people unless approved by the mayor or county judge, as appropriate, subject to certain exceptions and (iv) requires face coverings over the nose and mouth in public or places open to the public when it is not feasible to maintain six feet of social distance, subject to certain exceptions. Executive Orders GA-29 and GA-30 remain in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at http://gov.texas.gov/. Neither the information on, nor accessed through, such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

POTENTIAL IMPACT OF COVID-19 . . . A continued spread of COVID-19, and measures taken to prevent or reduce such spread, could adversely impact state, national and global economic activities and, accordingly, adversely impact the financial condition and performance of the City; the extent of such impact could be material.

Businesses and individuals appear to be altering their behaviors in a manner that is having negative impacts on global and local economies. 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.

Measures taken to prevent or reduce the spread of COVID-19 could limit the growth of or reduce economic activity in the State and the City, which in turn could limit the growth of or reduce the City's ad valorem and sales tax collections. In addition, further or extended reductions in the value of stocks and other investments could impact employee retirement plans or other funds and could require actions by the State. Due to the recent and unprecedented nature of the spread of COVID-19, the duration and extent of the potential impact of COVID-19 on the Texas economy and the City's revenues, expenses, and cash flow are uncertain and cannot be quantified at this time.

FEDERAL ACTIONS . . . On March 13, 2020, the President declared the coronavirus pandemic a national emergency and announced up to $50 billion for state and local governments to respond to the outbreak.

STATE ACTIONS . . . The Texas Department of State Health Services (DSHS) is the lead state agency responding to and coordinating the State's response to COVID-19, and it has provided information available at https://www.dshs.texas.gov/coronavirus/

The State has taken various steps intended to safeguard communities and protect public health, including:

- On March 19, 2020, the Governor issued the following executive orders:

  Order No. 1 - Every person in Texas shall avoid social gatherings in groups of more than 10 people.

  Order No. 2 - People shall avoid eating or drinking at bars, restaurants, and food courts, or visiting gyms or massage parlors; provided, however, that the use of drive-thru, pickup, or delivery options is allowed and highly encouraged throughout the limited duration of this executive order.

  Order No. 3 - People shall not visit nursing homes or retirement or long-term care facilities unless to provide critical assistance.

  Order No. 4 - Schools shall temporarily close.

- On March 18, 2020, the Governor issued a proclamation authorizing all political subdivisions holding general or special elections on May 2, 2020 to postpone their elections to the November 3, 2020 uniform election date.

- On March 13, 2020, the Governor issued a disaster proclamation, certifying that COVID-19 poses an imminent threat of disaster for all counties in the state of Texas.

- On March 10, 2020, the Governor and the Texas Department of Insurance announced that health insurers and health maintenance organizations operating in Texas have been asked to waive certain costs associated with COVID-19 for individuals covered by state regulated insurance plans.

- On March 5, 2020, the Governor and DSHS announced that six public health labs within Texas' Laboratory Response Network were equipped to perform COVID-19 testing and that four additional labs in the network were directed to become similarly equipped.

- On March 3, 2020, the Governor announced twice-weekly multi-agency state planning and emergency response meetings with the Texas Emergency Management Council on COVID-19.

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AD VALOREM TAX PROCEDURES

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The City does tax freeport property.

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

The City has not adopted a tax abatement policy.

TABLE 1 – VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/2021 Market Valuation Established by the Dallam and Hartley County Appraisal Districts (excluding exempt property)	$	602,408,361
Less Exemptions/Reductions at 100% Market Value:		91,172,581
2020/2021 Net Taxable Assessed Valuation	$	511,235,780
City Funded Debt Payable from Ad Valorem Taxes (as of 12/31/20)	$	3,847,000 (1)
The Bonds		5,460,000
Total General Obligation Debt Payable from Ad Valorem Taxes	$	9,307,000
Less: Self Supporting Debt		
Utility Supported General Obligation Debt	$	9,307,000 (2)
General Purpose Funded Debt Payable from Taxation	$	-
General Obligation Interest and Sinking Fund (as of 12/31/20)	$	907,190
Ratio General Obligation Debt to Taxable Assessed Valuation		1.82%
Ratio General Purpose Funded Debt to Taxable Assessed Valuation		0%

2020 Estimated Population - 8,296
Per Capita Taxable Assessed Valuation - $61,624
Per Capita General Obligation Debt Payable from Ad Valorem Taxes - $1,122
Per Capita General Purpose Funded Debt - $0

(1) Excludes the Refunded Obligations.
(2) It is the City's policy to provide for debt service on Waterworks and Sewer System General Obligation Debt from surplus revenues of the Waterworks and Sewer System (see "Table 9 – Computation of Self-Supporting Debt"). This policy is subject to change in the future. In the event the City changes its policy, or such revenues are not sufficient to pay debt service on such obligations, the City will be required to levy an ad valorem tax to pay such debt service.

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TABLE 2 – VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population [1]	Taxable Assessed Valuation [2]	Taxable Assessed Valuation Per Capita	General Purpose G.O. Tax Debt [3]	Ratio General Purpose G.O. Debt to Taxable Assessed Valuation	Per Capita General Purpose G.O. Tax Debt
2017	8,368	$ 408,942,088	$ 48,870	$ 10,284,000	2.51%	$ 1,229
2018	8,296	469,557,719	56,600	9,324,000	1.99%	1,124
2019	8,296	483,866,233	58,325	8,339,000	1.72%	1,005
2020	8,296	496,928,789	59,900	9,783,000	1.97%	1,179
2021	8,296	511,235,780	61,624	8,255,000 [4]	1.61%	995

(1) Source: Texas Municipal Advisory Council.
(2) As reported by the Dallam and Hartley County Appraisal Districts. Certified values are subject to change throughout the year as contested values are resolved and the Appraisal District updates records.
(3) Includes self-supporting debt. For all years, debt service on Outstanding G.O. Tax Debt was provided from surplus revenues of the Waterworks and Sewer System.
(4) Projected, includes the Bonds and excludes the Refunded Obligations.

TABLE 3 – TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	Distribution: General Fund	Distribution: Interest and Sinking Fund	Tax Levy	% of Current Tax Collections to Tax Levy	% of Total Tax Collections to Tax Levy
2017	$ 0.3573	$ 0.3573	$ -	$ 1,461,135	99.69%	101.09%
2018	0.3519	0.3519	-	1,651,534	99.64%	101.27%
2019	0.3836	0.3836	-	1,855,833	99.11%	100.24%
2020	0.4141	0.4141	-	2,059,578	98.81% [1]	99.11% [1]
2021	0.4276	0.4276	-	2,186,571	30.71% [2]	30.71% [2]

(1) Unaudited.
(2) Collections as of November 30, 2020.

TABLE 4 – TEN LARGEST TAXPAYERS

Name of Taxpayer	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
Southwestern Public Service	$ 7,333,520	1.43%
XIT Telecommunications & Tech Ltd.	6,241,640	1.22%
Cow Feed Co Inc.	5,284,300	1.03%
Western Equipment Co.	4,789,550	0.94%
AG Producers Co-Op	4,559,570	0.89%
Union Pacific Railroad Co.	3,640,610	0.71%
BNSF Railway Co.	3,329,420	0.65%
Dalhart R&R Mach Works, Inc.	3,235,630	0.63%
Shree Mahant Ltd.	3,226,270	0.63%
Jamal Enterprises LP	2,740,940	0.54%
	$ 44,381,450	8.68%

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

TABLE 5 – TAX ADEQUACY (1)

Principal and Interest Requirements, 2021	$ 1,321,850
$0.2694 Tax Rate at 96.00% Collection Produces	$ 1,322,178
Average Annual Principal and Interest Requirements, 2021 - 2050	$ 385,567
$0.0786 Tax Rate at 96.00% Collection Produces	$ 385,758
Maximum Principal and Interest Requirements, 2021	$ 1,321,850
$0.2694 Tax Rate at 96.00% Collection Produces	$ 1,322,178

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(1) Includes the Bonds and excludes the Refunded Obligations. Includes self-supporting debt.

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 obligations since the date hereof, and such entities may have programs requiring the issuance of substantial amounts of additional obligations, the amount of which cannot be determined. The following table reflects the estimated share of overlapping Tax Debt of the City.

Taxing Jurisdiction	General Purpose Funded Debt As of 12/31/20	Estimated % Applicable	City's Overlapping Funded Debt As of 12/31/20
City of Dalhart	$ 9,307,000	100.00%	$ 9,307,000 (1)
Dalhart ISD	13,303,753	42.26%	5,622,166
Dallam County	-	26.65%	-
Dallam-Hartley Counties Hospital District	3,022,000	27.63%	834,979
Hartley County	-	28.67%	-
Total Direct and Overlapping G.O. Debt			$ 15,764,145
Ratio of Direct and Overlapping G.O. Debt to Taxable Assessed Valuation			3.08%
Per Capita Overlapping G.O. Debt			$ 1,900

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(1) Includes the Bonds and excludes the Refunded Obligations. Includes self-supporting debt.

DEBT INFORMATION

TABLE 7 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ended 9/30	Outstanding Debt (1) Principal	Interest	Total	The Bonds (2) Principal	Interest	Total	Total Debt Service Requirements	LESS: System-Supported Debt Service	Total General Purpose Debt Service
2021	$ 1,052,000	$ 196,595	$ 1,248,595	$ -	$ 73,255	$ 73,255	$ 1,321,850	$ 1,321,850	$ -
2022	415,000	85,775	500,775	615,000	154,575	769,575	1,270,350	1,270,350	-
2023	50,000	79,700	129,700	630,000	135,900	765,900	895,600	895,600	-
2024	50,000	77,200	127,200	650,000	116,700	766,700	893,900	893,900	-
2025	55,000	74,575	129,575	670,000	96,900	766,900	896,475	896,475	-
2026	55,000	71,825	126,825	690,000	76,500	766,500	893,325	893,325	-
2027	60,000	68,950	128,950	715,000	55,425	770,425	899,375	899,375	-
2028	65,000	65,825	130,825	735,000	33,675	768,675	899,500	899,500	-
2029	65,000	63,225	128,225	755,000	11,325	766,325	894,550	894,550	-
2030	70,000	61,200	131,200	-	-	-	131,200	131,200	-
2031	70,000	59,013	129,013	-	-	-	129,013	129,013	-
2032	70,000	56,738	126,738	-	-	-	126,738	126,738	-
2033	75,000	54,381	129,381	-	-	-	129,381	129,381	-
2034	75,000	51,944	126,944	-	-	-	126,944	126,944	-
2035	80,000	49,425	129,425	-	-	-	129,425	129,425	-
2036	80,000	46,875	126,875	-	-	-	126,875	126,875	-
2037	85,000	44,297	129,297	-	-	-	129,297	129,297	-
2038	85,000	41,641	126,641	-	-	-	126,641	126,641	-
2039	90,000	38,906	128,906	-	-	-	128,906	128,906	-
2040	95,000	36,016	131,016	-	-	-	131,016	131,016	-
2041	95,000	33,047	128,047	-	-	-	128,047	128,047	-
2042	100,000	30,000	130,000	-	-	-	130,000	130,000	-
2043	100,000	26,875	126,875	-	-	-	126,875	126,875	-
2044	105,000	23,672	128,672	-	-	-	128,672	128,672	-
2045	110,000	20,313	130,313	-	-	-	130,313	130,313	-
2046	110,000	16,875	126,875	-	-	-	126,875	126,875	-
2047	115,000	13,359	128,359	-	-	-	128,359	128,359	-
2048	120,000	9,688	129,688	-	-	-	129,688	129,688	-
2049	125,000	5,859	130,859	-	-	-	130,859	130,859	-
2050	125,000	1,953	126,953	-	-	-	126,953	126,953	-
	$ 3,847,000	$ 1,505,745	$ 5,352,745	$ 5,460,000	$ 754,255	$ 6,214,255	$ 11,567,000	$ 11,567,000	$ -

(1) Excludes the Refunded Obligations.
(2) Interest on the Bonds has been calculated at the rates set forth on the inside cover.

TABLE 8 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued general obligation debt.

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

TABLE 9 - OTHER OBLIGATIONS

The City has no additional debt obligations as of September 30, 2020.

EMPLOYEE RETIREMENT BENEFITS

PLAN DESCRIPTION

The City provides pension benefits for all of its full-time employees, other than firemen, through a nontraditional, joint contributory, hybrid defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the City are within the options available in the governing state statutes of TMRS.

TMRS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TMRS; the report also provides detailed explanations for of the contributions, benefits, and actuarial methods and assumptions used by the System. This report may be obtained from TMRS' website at www.TMRS.com.

CONTRIBUTIONS

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

Employees for the City were required to contribute 5% of their annual gross earnings during the 2020 fiscal year. The City's required matching contributions were calculated as 200% of the employees' contributions in fiscal year 2020. The City's contributions to TMRS for the year ended September 30, 2020 were $136,056 and were equal to the required contributions.

(For more detailed information concerning Employee Retirement Benefits, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note # 7.)

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FINANCIAL INFORMATION

TABLE 10 – GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Year Ended September 30,				
REVENUES;	2020	2019	2018	2017	2016
Taxes	$ 4,469,845	$ 4,208,380	$ 3,961,149	$ 3,711,701	$ 3,624,333
License and permits	19,128	27,931	30,230	42,222	43,693
Intergovernmental	301,610	98,062	82,488	385,869	228,607
Charges for services	1,275,185	287,747	231,407	1,172,674	1,239,833
Fines and forfeitures	58,725	1,181,218	1,205,304	70,467	78,508
Investment earnings	59,837	82,223	41,015	28,959	23,182
Miscellaneous	173,558	83,842	147,287	93,533	471,601
Total Revenues	$ 6,357,888	$ 5,969,403	$ 5,698,880	$ 5,505,425	$ 5,709,757
EXPENDITURES:					
General government	$ 1,026,307	$ 884,315	$ 807,759	$ 831,825	$ 767,728
Police	1,672,027	42,901	47,257	1,565,750	1,391,278
Fire	384,195	1,742,850	1,645,597	300,673	326,325
Ambulance	38,164	366,694	392,241	40,000	43,954
Judicial	33,038	30,706	8,206	44,473	
Street	803,063	981,034	1,047,610	964,076	897,892
Garage	281,311	211,940	173,341	182,230	152,260
Sanitation	1,056,794	1,006,081	1,066,434	797,644	737,423
Swimming Pool	18,076	84,912	75,378	100,812	77,416
Parks and Cemetery	277,219	265,662	266,929	234,796	203,728
Capital Outlay	228,793	168,755	141,257	612,724	1,518,276
Total Expenditures	$ 5,818,987	$ 5,785,850	$ 5,672,009	$ 5,675,003	$ 6,116,280
Excess (Deficiency) of Revenues over Expenditures	$ 538,901	$ 183,553	$ 26,871	$ (169,578)	$ (406,523)
OTHER FINANCING SOURCES:					
Total Other Financing Sources (Uses)	$ 2,689,561	$ 108,343	$ (1,032,776)	$ 205,250	$ 110,872
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	3,228,462	291,896	(1,005,905)	35,672	(295,651)
Fund Balance at Beginning of Year	$ 3,830,052	$ 3,538,156	$ 4,544,061	$ 4,508,389	$ 4,804,040
Fund Balance at End of Year	$ 7,058,514	$ 3,830,052	$ 3,538,156	$ 4,544,061	$ 4,508,389

Source: City's audited financial statements.

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TABLE 11 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act, VATCS, 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. In 1995, the voters of the City approved the imposition of an additional sales and use tax of one-half of one percent (½ of 1%) for economic development and an additional one-eighth of one percent (⅛ of 1%) for property tax reduction. The sales tax for economic development is collected solely for the benefit of the Dalhart Economic Development Corporation and is pledged to secure payment of sales tax revenue bonds issued by Dalhart Economic Development Corporation.

Fiscal Year Ended 9/30	Sales Tax Collections	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita
2016	$ 1,867,225	142.20%	$ 0.4750	$ 221
2017	1,798,572	123.09%	0.4398	215
2018	1,865,280	112.94%	0.3972	225
2019	1,926,857	103.83%	0.3982	232
2020	2,017,585	97.96%	0.4060	243

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

<u>Basis of Presentation – Fund Financial Statements</u>

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category; governmental, proprietary, and fiduciary. The emphasis of governmental fund financial statements is on the major governmental fund. All remaining governmental funds are aggregated and reported as non-major funds. The City reports the following major governmental fund:

The General Fund is the City's only major fund and is its primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

The City reports the following enterprise funds:

The Water and Sewer Fund is to account for the provisions of water and sewer services to residents and commercial enterprises of the City and approximate area. The City maintains this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements, consumer deposits and debt service, all of which are intended to be self-supporting through user charges.

The Airport Fund is to account for the operation of the Dalhart Airport. In addition to providing runways and related facilities, the Airport includes improvements built by the Federal government for an Air Force Base, which were returned to the City during the 1940's. These facilities, together with later additions, are leased to commercial tenants for warehousing.

In addition, the City reports the following fund types:

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Fund: The Cemetery Care Fund accounts for and reports sales of lots and contributions received and held in trust for perpetual care of the cemetery grounds.

Private Purpose Trust Funds: The Cleo Jenkins Scholarship Fund and the Bonnie Dejarnett Scholarship Fund account for and report funds received from the Cleo Jenkins Estate and Bonnie Dejarnett Estate that are being held in trust to be used for advancing higher education for the citizens of Dallam and Hartley Counties.

(For more detailed information concerning Summary of Significant Accounting Policies, see APPENDIX B, "Excerpts from the City's Annual Financial Report" - Note # 1.)

INVESTMENTS

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

LEGAL INVESTMENTS . . . Under State law, the City is authorized to invest in: (1) obligations, including letters of credit, of the United States or its agencies and instrumentalities, including the Federal Home Loan Banks; (2) direct obligations of the State or its agencies and instrumentalities; (3) collateralized mortgage obligations issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of, the State or the United States or their respective agencies and instrumentalities, including obligations that are fully guaranteed or insured by the Federal Deposit Insurance Corporation (the "FDIC") or by the explicit full faith and credit of the United States; (5) obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) interest-bearing banking deposits that are guaranteed or insured by the FDIC or the National Credit Union Share Insurance Fund (the "NCUSIF") or their respective successors; (8) interest-bearing banking deposits, other than those described in clause (7), that (i) are invested through a broker or institution with a main office or branch office in this state and selected by the City in compliance with the Public Funds Investment Act, Chapter 2256 of the Texas Government Code (the "PFIA"), (ii) the broker or institution arranges for the deposit of the funds in one or more federally insured depository institutions, wherever located, for the City's account, (iii) the full amount of the principal and accrued interest of the banking deposits is insured by the United States or an instrumentality of the United States, and (iv) the City appoints as its custodian of the banking deposits, in compliance with the PFIA, the institution in clause (8)(i) above, a bank, or a broker-dealer; (9) Bonds of deposit and share Bonds meeting the requirements of the PFIA (i) that are issued by an institution that has its main office or a branch office in the State and are guaranteed or insured by the FDIC or the NCUSIF, or their respective successors, or are secured as to principal by obligations described in clauses (1) through (8), above, or secured in accordance with Chapter 2257, Texas Government Code, 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 broker or institution that has a main office or branch office in the State and selected by the City in compliance with the PFIA, (b) the broker or institution arranges for the deposit of the funds 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, in compliance with the PFIA, the institution in clause (9)(ii)(a) above, a bank, or broker-dealer as custodian for the City with respect to the Bonds of deposit; (10) fully collateralized repurchase agreements that have a defined termination date, are secured by a combination of cash and obligations described by clauses (1) or (12), which are pledged to the City, held in the City's name, and deposited at the time the investment is made with the City or with a third party selected and approved by the City, and are placed through a primary government securities dealer, as defined by the Federal Reserve, or a financial institution doing business in the State; (11) certain bankers' acceptances with a stated maturity of 270 days or less, if the short-term obligations of the accepting bank, or of the holding company of which the bank is the largest subsidiary, are rated not less than A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (12) commercial paper with a stated maturity of 365 days or less that is rated at least A-1 or P-1 or an equivalent by either (i) two nationally recognized credit rating agencies, or (ii) one nationally recognized credit rating agency if the commercial paper is fully secured by an irrevocable letter of credit issued by a United States or state bank; (13) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission and complies with Securities and Exchange Commission Rule 2a-7; (14) no-load mutual funds that are registered and regulated by the Securities and Exchange Commission that have a weighted maturity of less than two years and either (i) have a duration of one year or more and are invested exclusively in obligations approved in this paragraph, or (ii) have a duration of less than one year and the investment portfolio is limited to investment grade securities, excluding asset backed securities; (15) guaranteed investment contracts that have a defined termination date and are secured by obligations described in clause (1), excluding obligations which the City is explicitly prohibited from investing in, and in an amount at least equal to the amount of bond proceeds invested under such contract; and (16) securities lending programs if (i) the securities loaned under the program are 100% collateralized, including accrued income, (ii) a loan made under the program allows for termination at any time, (iii) a loan made under the program is either secured by (a) obligations described in clauses (1) through (8) above, (b) irrevocable letters of credit issued by a state or national bank that is continuously rated by a nationally recognized investment rating firm at not less than A or its equivalent, or (c) cash invested in obligations described in clauses (1) through (8) above, clauses (12) through (14) above, or an authorized investment pool, (iv) the terms of a loan made under the program require that the securities being held as collateral 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 designated by the City, (v) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State, and (vi) the agreement to lend securities has a term of one year or less.

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

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

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

The investment officer of a local government is allowed to invest bond proceeds or pledged revenue only to the extent permitted by the PFIA and in accordance with (i) statutory provisions governing the debt issuance (or lease, installment sale, or other agreement) and (ii) the local government's investment policy regarding the debt issuance or the agreement.

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

Under State law, the City is additionally required to: (1) annually review its adopted policies and strategies, (2) require any investment officers with personal business relationships or family relationships 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, (3) require the registered principal of firms seeking to sell securities to the City to: (a) receive and review the City's investment policy, (b) acknowledge that reasonable controls and procedures have been implemented to preclude imprudent investment activities, and (c) deliver a written statement attesting to these requirements; (4) in conjunction with its annual financial audit, perform a compliance audit of the management controls on investments and adherence to the City's investment policy, (5) restrict reverse repurchase agreements to not more than 90 days and restrict the investment of reverse repurchase agreement funds to no greater than the term of the reverse repurchase agreement, (6) restrict the investment in non-money market 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, (7) require local government investment pools to conform to the new disclosure, rating, net asset value, yield calculation, and advisory board requirements and (8) provide specific investment training for the Treasurer, the chief financial officer (if not the Treasurer) and the investment officer.

TABLE 12 - CURRENT INVESTMENTS

As of December 31, 2020 the City's investable funds were invested in the following categories:

Description	Market Value
TexPool	$ 312,752
TexSTAR	20,153
Logic	6,987,137
Certificates of Deposit	350,000
Bank Accounts	1,103,359
	$ 8,773,401

TAX MATTERS

OPINIONS . . . On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Dallas, Texas, Bond Counsel, 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, as amended (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 Opinion".

In rendering the foregoing 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 Bond, (b) covenants of the City contained in the Bond documents relating to certain matters, including arbitrage and the use of the proceeds of the Bonds and the property financed or refinanced therewith, and (c) the certification by the paying agent for the Refunded Obligations verifying the sufficiency of the amounts deposited therewith to pay the principal of and interest on the Refunded Obligations on their redemption date. Failure by the City to observe the aforementioned representations or covenants could cause the interest on the Bonds to become taxable retroactively to the date of issuance.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the 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 conditioned on compliance by the City with such requirements, and Bond Counsel has not been retained to monitor compliance with these requirements subsequent to the issuance of the 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 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 City as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

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

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

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

Under Existing Law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bond 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 accumulated earnings and profits and excess passive investment income, 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 at maturity or, in the case of a bond issued at an original issue discount, the “revised issue price” (i.e., the issue price plus accrued original issue discount). The “accrued market discount” is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

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.

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.

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

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

The 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 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 does not currently have outstanding more than $10,000,000 in aggregate principal amount of municipal securities (excluding securities offered in transactions that were exempt from the Rule) and no person is committed by contract or other arrangement with respect to payment of the Bonds. Pursuant to the exemption, in the Ordinance, the City has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually, and timely notice of certain specified events, to the Municipal Securities Rulemaking Board (the "MSRB") through its Electronic Municipal Market Access (EMMA) system, free of charge at www.emma.msrb.org.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB annually. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement that is customarily prepared by the City and publicly available, which currently consists of an annual audited financial statement. The City will update and provide this information within twelve months after the end of each fiscal year ending in or after 2021. The City will provide the updated information to the MSRB through the EMMA information system in accordance with recent amendments to Rule 15c2-12 (the "Rule") promulgated by the SEC.

The financial information and operating data to be provided may be set forth in full in one or more documents or may be included by specific reference to any document available to the public on the MSRB's Internet Web site or filed with the SEC, as permitted by 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 information and operating data of the type described in the preceding paragraph by the required time, and audited financial statements when and if such audited financial statements become available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX 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.

OTHER EVENT NOTICES . . . 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 financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under "Annual Reports".

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

AVAILABILITY OF INFORMATION FROM MSRB . . . The City has agreed to provide the foregoing information only as described above to the MSRB. The foregoing information to be provided described under "Annual Reports" and "Notice of Certain Events" may also be obtained from: James Stroud; City Manager, City of Dalhart, Texas; 205 Rock Island Ave., Dalhart, Texas 79022; Phone: (806) 244-5511.

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

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS. . . During the last five years, the City has complied in all material respects with its continuing disclosure agreements made by it in accordance with the Rule, except as follows: the City's audits for fiscal year 2016, 2017, and 2018 were not filed by the required date. All audits have since been filed along with the required late notices. In 2014, the City received a rating upgrade from S&P. The notice was filed in 2020 along with a late notice.

OTHER INFORMATION

RATING . . . The Bonds are rated "AA-" by S&P, without regard to any credit enhancement. The City also has various issues outstanding which are rated by various commercial insurance companies. An explanation of the significance of such rating may be obtained from the company furnishing the rating. The rating reflects only the respective view of such organization and the City makes no representation as to the appropriateness of the rating. There is no assurance that such rating will continue for any given period of time or that they will not be revised downward or withdrawn entirely by one or more of such rating company, if in the judgment of such company, circumstances so warrant. Any such downward revision or withdrawal of any of such rating may have an adverse effect on the market price of the Bonds. In addition, due to the ongoing uncertainty regarding the economy and debt of the United States of America, including, without limitation, general economic conditions and political developments that may affect the financial condition of the United States government, the United States debt limit, and bond and credit ratings of the United States and its instrumentalities, the ratings of obligations issued by state and local governments, such as the Bonds, could be adversely affected.

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

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 . . . The Bonds. Section 271.051, Texas Local Government Code, provides that the Bonds are legal and authorized investments for banks, savings banks, trust companies, savings and loan associations, insurance companies, fiduciaries, trustees and guardians, and for the sinking funds of municipalities, school districts, and other political subdivisions or public agencies of the State of Texas. The Bonds are eligible to secure deposits of any public funds of the State, municipalities, school districts, and other political subdivisions of the State, and are legal security for those deposits to the extent of their market value.

General Considerations. For political subdivisions in Texas that have adopted investment policies and guidelines in accordance with the Public Funds Investment Act (Texas Government Code, Chapter 2256), the Bonds may have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. The City has made no investigation of other laws, rules, regulations, or investment criteria which might apply to such institutions or entities or which might limit the suitability of the Bonds for any of the foregoing purposes or limit the authority of such institutions or entities to purchase or invest in the Bonds for such purposes. The City has made no review of laws in other states to determine whether the Bonds are legal investments for various institutions in those states.

LEGAL OPINION . . . The City will furnish to 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 may represent 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 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 "Legal Opinions" (excluding the last two sentences of the first paragraph thereof), "Registration and Qualification of Bonds for Sale" and "Legal Investments and Eligibility to Secure Public Funds in Texas" under the caption "OTHER INFORMATION" in the Official Statement and such firm is of the opinion that the information relating to the 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 legal opinion will accompany the Bonds deposited with DTC or will be printed on the Bonds in the event of the discontinuance of the Book-Entry-Only System. Certain legal matters will be passed upon for the Underwriter by its counsel, Orrick, Herrington & Sutcliffe LLP, Austin, Texas. The legal fees of such firm are contingent upon 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 . . . Specialized Public Finance Inc. is employed as Financial Advisor to the City 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. Specialized Public Finance Inc., in its capacity as Financial Advisor, has not verified and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the 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 of this Official Statement, less an underwriting discount of $38,401.91. 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 responsibilities to investors under the federal securities laws, but the Underwriter does not guarantee the accuracy or completeness of such information.

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

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

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 authorizing the issuance of the Bonds delegated to the Pricing Officer the authority approved the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorized its further use in the reoffering of the Bonds by the Underwriter.

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

James Stroud
City Manager
City of Dalhart, Texas

SCHEDULE I

SCHEDULE OF REFUNDED OBLIGATIONS

Certificates of Obligation, Series 2014

Original Dated Date	Original Maturity		Interest Rates	Principal Amount
11/1/2014	2/15/2022	(1)	2.490%	$ 679,000
	2/15/2023	(1)	2.490%	696,000
	2/15/2024	(1)	2.490%	714,000
	2/15/2025	(1)	2.490%	732,000
	2/15/2026	(1)	2.490%	750,000
	2/15/2027	(1)	2.490%	769,000
	2/15/2028	(1)	2.490%	788,000
	2/15/2029	(1)	2.490%	808,000
				$5,936,000

Redemption Date: March 4, 2021
Redemption Price: 100%

(1) Represent scheduled principal installment payments for a single bond.

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

The City of Dalhart lies within two counties, Dallam and Hartley Counties, and is the county seat of Dallam County. Approximately two-thirds of the City's population resides in Dallam County and the other one-third in Hartley County. The City is strategically located in the center of a Tri-State area, 46 miles from eastern New Mexico and 56 miles from the northwestern Oklahoma Panhandle.

ECONOMY

The economy of the City primarily consists of agriculture, including crop production, livestock feeding, and other supporting industries. Other large employers in the area are the Texas Department of Corrections, which operates a medium-security prison facility and the Union Pacific Railroad.

LABOR FORCE ESTIMATES (1)

DALLAM COUNTY

		Annual Averages			
	November, 2020	2019	2018	2017	2016
Civilian Labor Force	3,640	3,918	4,075	4,064	4,002
Total Employment	3,512	3,842	3,992	3,977	3,913
Total Unemployment	128	76	83	87	89
Percent Unemployment	3.5%	1.9%	2.0%	2.1%	2.2%

HARTLEY COUNTY

		Annual Averages			
	November, 2020	2019	2018	2017	2016
Civilian Labor Force	2,602	2,802	2,890	2,944	2,961
Total Employment	2,542	2,756	2,837	2,886	2,901
Total Unemployment	60	46	53	58	60
Percent Unemployment	2.3%	1.6%	1.8%	2.0%	2.0%

(1) Source: Texas Labor Market Information.

TRANSPORTATION

There are three highways that serve the area and a vast system of paved farm-to-market roadways. Other transportation for the City include: two railroads, five motor freight carriers, one bus service and four parcel services. The City owns and operates a municipal airport that offers jet fuel and restaurant services.

EDUCATION

Dalhart Independent School District provides public education in grades K-12 with one high school, one junior high school, one intermediate school, and one elementary school.

Higher education is available through the Frank Phillips College and three private universities located in the Amarillo area.

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APPENDIX B

EXCERPTS FROM THE
CITY OF DALHART, TEXAS
ANNUAL FINANCIAL REPORT
For the Year Ended September 30, 2020

The information contained in this APPENDIX consists of excerpts from the City of Dalhart, Texas Annual Financial Report for the Year Ended September 30, 2020 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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FULLERTON
& Associates PLLC
CERTIFIED PUBLIC ACCOUNTANTS

3444 N 1st, Suite 404
Abilene, Texas 79603
Phone 325.268.1033

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
of the City of Dalhart, Texas:

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 Dalhart, Texas (the "City"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Dalhart, Texas as of September 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dalhart, Texas' financial statements as a whole. The combining non-major fund financial statements listed under other supplementary information in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The combining non-major fund financial statements listed under other supplementary information in the accompanying table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated February 9, 2021, 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 and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Fullerton & Associates, PLLC

Fullerton & Associates, PLLC
February 9, 2021

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

FINANCIAL HIGHLIGHTS

Government-Wide Financial Statements

- The assets of the City of Dalhart exceeded its liabilities at the close of the 2020 fiscal year by $22,442,352 (net position).
- As of September 30, 2020, $5,116,322 (unrestricted) may be used to meet the government's ongoing obligations to citizens. $16,408,552 is invested in capital assets, and $917,478 is restricted to spending for specific purposes only.
- The City's total assets increased by $3,448,212 during the 2020 fiscal year, primarily due to the arrival of debt proceeds from the City's issuance of combination tax and revenue certificates of obligation, as well as the City's receipt of insurance proceeds for damages at the municipal airport.
- The net position of the City increased by $2,145,752 during the 2020 fiscal year.

Fund Financial Statements

- As of the close of the current fiscal year, the City of Dalhart's General Fund reported an ending unassigned fund balance of $6,366,055 which reflects an increase of $3,147,150 in unassigned fund balances for the year ended September 30, 2020, again primarily due to the City's receipt of debt proceeds.
- Cumulatively, the non-major special revenue funds reported ending fund balances totaling of $2,257,645 which reflects an increase of $103,196 for the year ended September 30, 2020, all of which is nonspendable, restricted, committed or assigned for each special revenue funds' specific purpose.
- The City's Water & Sewer Fund had an increase of $773,466 in its net position during the 2020 fiscal year, resulting in an ending fund balance of $6,711,747, $6,587,565 (98%) of which is invested in capital assets.
- The City's Airport Fund had an increase of $114,401 in its net position during the 2020 fiscal year, resulting in an ending fund balance of $3,684,129, $3,050,876 (83%) of which is invested in capital assets.
- The City's Fiduciary funds hold a net position for scholarship benefits of $971,209 as of September 30, 2020.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Dalhart's basic financial statements. The City of Dalhart's basic financial statements comprise three components:

1) government- wide financial statements,
2) fund financial statements, and
3) notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

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

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

The government-wide financial statements reflect functions of the City of Dalhart that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the City of Dalhart include general government, public safety (comprised of police, fire, and ambulance activities), judicial, street, sanitation, garage, and culture and recreation (comprised of swimming pool, parks and cemetery, and promotion and tourism activities). The government-wide financial statements can be found on pages 11 and 12 of this report.

<u>Fund Financial Statements</u>

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

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

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

The City of Dalhart maintains ten governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be a major fund and the nine non-major special revenue funds which are combined on the fund financial statements but are broken out in the supplementary information found on pages 58 and 59 of this report. The governmental fund financial statements can be found on pages 13-16 of this report.

Proprietary funds. When the City charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities reported in the government-wide financial statements, but the proprietary fund statements provide more detail and additional information, such as cash flows, for the proprietary fund. The City utilizes two proprietary funds, the Water & Sewer fund and the Airport fund. The proprietary fund statements can be found on pages 17-19 of this report.

*Fiduciary fund*s. The City is the trustee, or fiduciary, for certain funds. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All the City fiduciary activities are reported in a separate statement of fiduciary net position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operation. The fiduciary fund financial statements can be found on page 20 of this report, and their combining statements on page 60.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 21-48 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Dalhart, assets exceeded liabilities by $22,442,352 at the end of 2020. As of September 30, 2020, $16,408,552 of the City of Dalhart's net position (73%) reflects its investment in capital assets (e.g., buildings, equipment, infrastructure, and road improvements). The City of Dalhart uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

City of Dalhart's Net Position—Comparative Schedules

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	$ 10,409,945	$ 6,997,766	$ 1,919,473	$ 1,964,412	$ 12,329,418	$ 8,962,178
Capital assets (net of depreciation)	6,440,330	6,202,425	16,236,441	16,393,374	22,676,771	22,595,799
Total assets	16,850,275	13,200,191	18,155,914	18,357,786	35,006,189	31,557,977
Total deferred outflows	134,454	15,131	20,204	17,304	154,658	32,435
Total internal balances	(213,283)	-	213,283	-	-	-
Current and other liabilities	3,666,371	1,232,646	1,527,846	1,386,258	5,194,217	2,618,904
Long-term liabilities	595,262	655,297	6,357,713	7,354,107	6,952,975	8,009,404
Total liabilities	4,261,633	1,887,943	7,885,559	8,740,365	12,147,192	10,628,308
Total deferred inflows of resources	463,337	538,788	107,966	126,320	571,303	665,108
Net position:						
Net investment in capital assets	6,770,111	6,202,425	9,638,441	8,018,080	16,408,552	14,220,505
Restricted	917,478	554,911	-	-	917,478	554,911
Unrestricted	4,358,887	4,031,255	757,435	1,490,325	5,116,322	5,521,580
Total net position, 2019 as restated	$ 12,046,476	$ 10,788,591	$ 10,395,876	$ 9,508,405	$ 22,442,352	$ 20,296,996

City of Dalhart's Changes in Net Position—Comparative Schedules

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues						
Fees, fines, and charges for services	$ 1,862,233	$ 1,883,847	$ 3,481,592	$ 3,334,482	$ 5,343,825	$ 5,218,329
Operating grants and contributions	170,463	115,000	-	-	170,463	115,000
General Revenues						
Taxes	5,077,744	4,699,852	-	-	5,077,744	4,699,852
Investment earnings	71,214	110,907	12,235	45,234	83,449	156,141
Miscellaneous	95,802	157,813	2,734	44,882	98,536	202,695
Total Revenues	7,277,456	6,967,419	3,496,561	3,424,598	10,774,017	10,392,017
Expenditures						
General administrative	1,472,335	1,455,739	-	-	1,472,335	1,455,739
Public safety	1,792,383	2,455,422	-	-	1,792,383	2,455,422
Judicial	31,325	44,748	-	-	31,325	44,748
Street	698,269	1,070,674	-	-	698,269	1,070,674
Sanitation	856,081	994,371	-	-	856,081	994,371
Garage	238,872	277,459	-	-	238,872	277,459
Culture and recreation	993,027	1,328,583	-	-	993,027	1,328,583
Water and sewer	-	-	2,512,885	3,113,957	2,512,885	3,113,957
Airport	-	-	372,017	366,530	372,017	366,530
Total expenditures	6,082,292	7,626,996	2,884,902	3,480,487	8,967,194	11,107,483
Transfers In	199,000	178,550	-	-	199,000	178,550
Transfers Out	-	-	(189,000)	(168,550)	(189,000)	(168,550)
Other financing sources (uses)	(136,279)	-	465,208	-	328,929	-
Total other financing sources (uses)	62,721	178,550	276,208	(168,550)	338,929	10,000
Change in net position	1,257,885	(481,027)	887,867	(224,439)	2,145,752	(705,466)
Net position, beginning - as restated	10,788,591	11,269,618	9,508,009	9,732,448	20,296,600	21,002,066
Net position, ending	$ 12,046,476	$ 10,788,591	$ 10,395,876	$ 9,508,009	$ 22,442,352	$ 20,296,600

FINANCIAL ANALYSIS OF THE GOVERNMENTS FUNDS

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

As of the end of Fiscal Year 2020, the City of Dalhart's governmental General Fund reported an ending fund balance of $7,058,514, $6,366,055 of which was unassigned and available for spending at the City's discretion. This represents approximately thirteen months of operating equity based on fiscal year 2020 General fund expenditures.

CAPITAL ASSETS

The City of Dalhart's investment in capital assets for its governmental activities amounts to $6,440,330 (net of accumulated depreciation) as of September 30, 2020, and its investment in capital assets for its business-type activities amounts to $16,236,441 (net of accumulated depreciation). These investments in capital assets includes city land, buildings, water, sewer and sanitation facilities, airport facilities, as well as city vehicles and equipment. See detailed comparative schedules of the City's capital asset balances on the following page.

Additional information on the City of Dalhart's capital assets can be found in Note 4 on pages 30 and 31 of this report.

DEBT ADMINISTRATION

At September 30, 2020, the City had $11,153,607 in outstanding long-term liabilities, comprised of long term debt, capital leases, compensated absence accruals, long term retirement obligations and the City's landfill remediation liability. See detailed comparative schedules of the City's long-term liabilities on the following page.

Additional information on the City of Dalhart's debt can be found in Note 6 on pages 32 through 34 of this report.

2020 OVERVIEW

In 2020 Dalhart has seen continued stable growth and the demand for housing has continued to increase. There were five new residential construction projects and 2 commercial real estate construction projects that began in 2020. Additionally, an annexation was approved for a land area that has the potential for approximately 500 hundred new homes if fully built out to capacity. The City Council has reviewed plans on city property for the possibility to develop affordable housing that could add single-family homes to the market. The Dalhart Economic Development Corporation continues to develop and sell lots in the Dalhart Business and Industrial Park located adjacent to the Dalhart Airport. Three lots were sold in 2020 to a variety of businesses, and additional planning for the development of road infrastructure that will accommodate traffic as this area continues to grow.

The Rita Blanca Pump Station was brought online in the 2020 fiscal year, upgrading the water infrastructure, adding four water wells and expanding storage capacity. This water infrastructure project was designed with future expansion in mind and ease of expansion to add more water wells to supply future demands.

The City issued combination tax and revenue certificates of obligation in the 2020 fiscal year to fund the construction of a transfer station at the Dalhart Landfill. The funds will also go to purchase a large metal building to store waste and a new tractor-trailer to transport waste overages so the City can remain in compliance with its landfill permit.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Dalhart's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Secretary, City of Dalhart, PO Box 2005, Dalhart, Texas 79022.

City of Dalhart's Capital Assets—Comparative Schedules

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Land	$ 255,694	$ 255,694	$ 229,507	$ 229,507	$ 485,201	$ 485,201
Construction in progress	-	-	-	8,411,225	-	8,411,225
Buildings and improvements	2,778,710	3,044,023	2,887,928	3,238,258	5,666,638	6,282,281
Machinery, vehicles and equipment	2,991,519	2,403,294	1,147,739	1,099,599	4,139,258	3,502,893
Infrastructure	414,407	499,414	11,971,267	3,414,390	12,385,674	3,913,804
	$ 6,440,330	$ 6,202,425	$ 16,236,441	$ 16,392,979	$ 22,676,771	$ 22,595,404

City of Dalhart's Long-Term Liabilities—Comparative Schedules

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Landfill remediation liability	$ 595,262	$ 541,269	$ -	$ -	$ 595,262	$ 541,269
Compensated absences	101,226	126,698	16,506	21,107	117,732	147,805
Total OPEB liability	157,742	-	35,207	-	192,949	-
Net pension liability	83,336	440,457	-	87,625	83,336	528,082
Capital leases payable	265,481	-	-	-	265,481	-
Unamortized premium on debt	115,847	-	-	-	115,847	-
Certificates and bond obligations	2,450,000	-	7,333,000	8,339,000	9,783,000	8,339,000
	$ 3,768,894	$ 1,108,424	$ 7,384,713	$ 8,447,732	$ 11,153,607	$ 9,556,156

BASIC FINANCIAL STATEMENTS

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

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
ASSETS				
Pooled cash and cash equivalents	$ 1,229,903	$ 475,566	$ 1,705,469	$ 576,118
Investments	7,465,032	824,140	8,289,172	2,327,718
Receivables (net of allowance for uncollectible)	1,447,342	404,308	1,851,650	118,338
Prepaid expenses	34,947	-	34,947	-
Inventories	62,250	-	62,250	-
Notes receivable, current	-	-		-
Notes receivable, noncurrent	-	-		-
Restricted assets: Cash and equivalents	15,740	170,220	185,960	-
Capital assets:				
Land	255,694	229,507	485,201	48,379
Infrastructure	5,272,604	22,199,925	27,472,529	-
Buildings and improvements	6,261,190	9,819,389	16,080,579	-
Machinery, vehicles, and equipment	9,619,009	5,151,365	14,770,374	-
Less: accumulated depreciation	(14,968,167)	(21,163,745)	(36,131,912)	-
Intangible assets:				
Deferred charge on bond refunding, (net of accumulated amortization)	-	9,167	9,167	-
Net pension asset (TMRS)	154,731	36,072	190,803	-
Total assets	16,850,275	18,155,914	35,006,189	3,070,553
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows - OPEB	19,526	4,358	23,884	-
Deferred outflows - pension	114,928	15,846	130,774	-
Total deferred outflows of resources	134,454	20,204	154,658	-
INTERNAL BALANCES				
Due (to)/from other funds	(213,283)	213,283	-	-
LIABILITIES				
Accounts payable	305,592	276,411	582,003	-
Accrued wages and payroll expenses	132,177	26,585	158,762	-
Deposits payable	15,740	170,220	185,960	-
Accrued interest	39,230	27,630	66,860	-
Current portion of long-term liabilities	100,883	1,027,000	1,127,883	-
Noncurrent liabilities				
Compensated absences payable	101,226	16,506	117,732	-
Total OPEB liability	157,742	35,207	192,949	-
Net pension liability (TESRS)	83,336	-	83,336	-
Certificates of obligation and bonds payable	2,425,000	6,306,000	8,731,000	-
Unamortized premium on certificates of obligation	115,847	-	115,847	-
Capital leases payable	189,598	-	189,598	-
Landfill remediation liability	595,262	-	595,262	-
Total liabilities	4,261,633	7,885,559	12,147,192	-
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows - OPEB	2,724	608	3,332	-
Deferred inflows - pension	460,613	107,358	567,971	-
Total deferred inflows of resources	463,337	107,966	571,303	-
NET POSITION				
Net investment in capital assets	6,770,111	9,638,441	16,408,552	-
Restricted for public safety	35,672	-	35,672	-
Restricted for tourism and community development	342,079	-	342,079	-
Restricted for Cemetery - expendable	274,070	-	274,070	-
Restricted for Cemetery - non-expendable	265,657	-	265,657	-
Unrestricted	4,358,887	757,435	5,116,322	3,070,553
Total net position	$ 12,046,476	$ 10,395,876	$ 22,442,352	$ 3,070,553

The notes to the financial statements are an integral part of this statement.

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

				Net (Expense) Revenue and Changes in Net Position			
		Program Revenues		Primary Government			Component Uni
PRIMARY GOVERNMENT FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Economic Devel opment Corporat
GOVERNMENTAL ACTIVITIES							
General administrative	$ 1,472,335	$ 64,007	$ 121,429	$ (1,286,899)	$ -	$ (1,286,899)	$ -
Judicial	31,325	61,795	-	30,470	-	30,470	-
Public safety: Police	1,367,908	1,843	-	(1,366,065)	-	(1,366,065)	-
Fire	386,311	301,610	-	(84,701)	-	(84,701)	-
Ambulance	38,164	-	-	(38,164)	-	(38,164)	-
Street	698,269	34,612	-	(663,657)	-	(663,657)	-
Sanitation	856,081	1,185,392	-	329,311	-	329,311	-
Garage	238,872	-	-	(238,872)	-	(238,872)	-
Culture and recreation: Swimming pool	46,615	128	-	(46,487)	-	(46,487)	-
Parks and cemetery	581,524	211,690	1,108	(368,726)	-	(368,726)	-
Promotion and tourism	364,888	1,156	47,926	(315,806)	-	(315,806)	-
Total governmental activities	6,082,292	1,862,233	170,463	(4,049,596)	-	(4,049,596)	-
BUSINESS-TYPE ACTIVITIES							
Water and sewer	2,512,885	3,460,520	-	-	947,635	947,635	-
Airport	372,017	21,072	-	-	(350,945)	(350,945)	-
Total business-type activities	2,884,902	3,481,592	-	-	596,690	596,690	-
TOTAL PRIMARY GOVERNMENT	$ 8,967,194	$ 5,343,825	$ 170,463	(4,049,596)	596,690	(3,452,906)	$ -
COMPONENT UNIT							
Economic Development Corporation	$ 433,817	$	$ 36,000				$ (397,817)
General revenues:							
Property taxes				2,091,803	-	2,091,803	-
Sales and use taxes				2,017,585	-	2,017,585	671,502
Franchise taxes				387,845	-	387,845	-
Hotel/motel occupancy taxes				574,761	-	574,761	-
Alcoholic beverage taxes				5,750	-	5,750	-
Investment earnings				71,214	12,235	83,449	26,168
Insurance proceeds				-	465,208	465,208	-
Miscellaneous				95,802	2,734	98,536	-
Gain/(Loss) on disposal of fixed assets				(136,279)	-	(136,279)	88,079
Transfers				199,000	(189,000)	10,000	(10,000)
Total general revenues and transfers				5,307,481	291,177	5,598,658	775,749
CHANGE IN NET POSITION				1,257,885	887,867	2,145,752	377,932
BEGINNING NET POSITION				10,788,591	9,560,621	20,349,212	2,640,009
PRIOR PERIOD ADJUSTMENT				-	(52,612)	(52,612)	52,612
BEGINNING NET POSITION, AS RESTATED				10,788,591	9,508,009	20,296,600	2,692,621
NET POSITION AT END OF YEAR				$ 12,046,476	$ 10,395,876	$ 22,442,352	$ 3,070,553

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
BALANCE SHEET – GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Total Non-major Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 2,526	$ 1,243,117	$ 1,245,643
Investments	7,019,954	445,078	7,465,032
Taxes receivables (net of allowances)	483,388	74,955	558,343
Intergovernmental receivable	577,681	-	577,681
Interest receivable	3,951	-	3,951
Other receivables (net of allowances)	302,102	5,265	307,367
Due from other funds	-	754,923	754,923
Prepaid expenditures	34,947	-	34,947
Inventories	62,250	-	62,250
Total assets	$ 8,486,799	$ 2,523,338	$ 11,010,137
LIABILITIES			
Accounts payable	$ 262,475	$ 43,117	$ 305,592
Accrued payroll liabilities	124,173	8,004	132,177
Deposits payable	4,926	10,814	15,740
Due to other funds	966,579	1,627	968,206
Total liabilities	1,358,153	63,562	1,421,715
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue - community development	-	202,131	202,131
Unavailable revenue - property taxes	46,327	-	46,327
Unavailable revenue - other receivables	23,805	-	23,805
Total deferred inflows of resources	70,132	202,131	272,263
FUND BALANCES			
Nonspendable fund balance:			
Cemetery perpetual care	-	265,657	265,657
Prepaid expenditures	34,947	-	34,947
Inventories	62,250	-	62,250
Restricted fund balance:			
Cemetery perpetual care	-	274,070	274,070
Police department state training funds	-	3,096	3,096
Drug seizure	-	6,430	6,430
Municipal court technology	-	26,146	26,146
Tourism advertising and promotion	-	139,948	139,948
Committed fund balance:			
Landfill assurance	595,262	-	595,262
Assigned fund balance:			
Community development	-	140,923	140,923
Rita Blanca Park	-	(30,783)	(30,783)
Fleet	-	1,432,158	1,432,158
Unassigned fund balance	6,366,055	-	6,366,055
Total fund balances	7,058,514	2,257,645	9,316,159
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 8,486,799	$ 2,523,338	$ 11,010,137

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Total Fund Balances - Governmental Funds Balance Sheet	$	9,316,159
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds balance sheet. The net effect is to increase net position.		6,440,330
Long-term liabilities, including debt, compensated absences, the City's net pension and total OPEB liabilities, and landfill remediation liabilities, are not due and payable in the current period and, therefore, are not reported in the governmental funds. The net effect is a decrease in net position.		(3,567,046)
Certain assets, such as taxes receivable and imposed fines receivable, are not available to pay for current-period expenditures and are not recognized as revenue in the governmental funds. Deferred inflows of resources recognized in the government-wide financial statements results in a net increase to net position.		272,263
Included in the items related to long-term liabilities is the recognition of the County's deferred outflow of resources, and deferred inflow of resources relating to its pension liability.		(415,230)
Net Position of Governmental Activities - Statement of Net Position	$	12,046,476

The notes to the financial statements are an integral part of this statement.

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

	General Fund	Total Non-major Funds	Total Governmental Funds
REVENUES			
Taxes			
Property	$ 2,058,665	$ -	$ 2,058,665
Sales and use	2,017,585	-	2,017,585
Franchise	387,845	-	387,845
Mixed beverage	5,750	-	5,750
Hotel/motel occupancy	-	487,759	487,759
Licenses and permits	19,128	-	19,128
Fines and forfeitures	58,725	4,913	63,638
Intergovernmental	301,610	842,921	1,144,531
Charges for services	1,275,185	75,425	1,350,610
Investment earnings	59,837	11,377	71,214
Grants and contributions	121,429	49,034	170,463
Miscellaneous	52,129	43,673	95,802
Total revenues	6,357,888	1,515,102	7,872,990
EXPENDITURES			
Current:			
General administrative	1,026,307	6,685	1,032,992
Judicial	33,038	-	33,038
Public safety:			
Police	1,672,027	1,441	1,673,468
Fire	384,195	-	384,195
Ambulance	38,164	-	38,164
Street	803,063	-	803,063
Garage	281,311	-	281,311
Sanitation	1,056,794	-	1,056,794
Culture and recreation:			
Swimming pool	18,076	-	18,076
Parks and cemetery	277,219	322,588	599,807
Promotion and tourism	-	364,888	364,888
Capital Outlay	165,365	1,057,071	1,222,436
Debt service:			
Principal	-	85,169	85,169
Interest and fiscal charges	63,428	-	63,428
Total expenditures	5,818,987	1,837,842	7,656,829
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	538,901	(322,740)	216,161
OTHER FINANCING SOURCES (USES)			
Proceeds from issuance of debt	2,565,847	-	2,565,847
Proceeds from capital lease	-	350,650	350,650
Transfers in (out)	123,714	75,286	199,000
Total other financing sources (uses)	2,689,561	425,936	3,115,497
NET CHANGE IN FUND BALANCES	3,228,462	103,196	3,331,658
FUND BALANCES AT BEGINNING OF YEAR	3,830,052	2,154,449	5,984,501
FUND BALANCES AT END OF YEAR	$ 7,058,514	$ 2,257,645	$ 9,316,159

The notes to the financial statements are an integral part of this statement.

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

Net Change in Fund Balances - Total Governmental Funds	$ 3,331,658
Amounts reported for governmental activities in the statement of activities are different because:	
Current year capital outlays are expenditures in the fund financial statements, but they are shown as increases in capital assets in the government-wide financial statements. The net effect of including capital outlays is to increase net position.	1,222,436
Depreciation expense is not reflected in the governmental funds but is recorded in the government-wide financial statements as an expense and an increase to accumulated depreciation. The net effect of recording current year depreciation expense is to decrease net position.	(848,252)
Gains or losses on disposal of fixed assets are not reflected in the fund financial statements but are recorded in the government-wide financial statements as the difference between the net book value of assets disposed off and any compensation received for the assets. The current year's loss is a decrease to net position.	(136,279)
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds. The current year increase in revenue recognized in the government-wide financial statements results in a increase in net position.	38,517
Proceeds from long-term debt and capital leases are recorded as revenues in the fund financial statements, but are reflected as liabilities in the government-wide financial staements. The effect is a decrease to net position.	(2,916,497)
Current year long-term debt principal payments on long-term debt are expenditures in the fund financial statements but are shown as reductions in long-term debt in the government-wide financial statements. This results in an increase in net position.	85,169
The net decrease in compensated absences payable results in an increase to net position.	25,472
Governmental funds report the effect of increasing the landfill remediation liability when the estimate is first adjusted. These amounts are deferred and amortized in the statement of activities which results in a decrease in net position.	(53,993)
Interest payable on long-term debt is accrued in the government-wide financial statements, whereas, in the fund financial statements, interest expense is reported when due. This is a net decrease in accrual and an increase to net position.	(39,230)
Certain expenditures for the pension that are recorded to the fund financial statements must be recorded as deferred outflows of resources. Contributions made after the measurement date caused the change in net position to increase. The City's unrecognized deferred inflows and outflows for TMRS and TESRS as of the measurement date must be amortized and the City's share of pension expense must be recognized.	548,884
Change in Net Position of Governmental Activities - Statement of Activities	$ 1,257,885

The notes to the financial statements are an integral part of this statement.

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

	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
ASSETS			
Current assets:			
Cash and cash equivalents	$ 5,510	$ 470,056	$ 475,566
Investments	816,411	7,729	824,140
Receivables (net of allowances)	404,308		404,308
Due from other funds	57,627	155,656	213,283
Restricted assets:			
Restricted cash- deposits	169,740	480	170,220
Total current assets	1,453,596	633,921	2,087,517
Noncurrent assets:			
Capital assets:			
Land	46,695	182,812	229,507
Buildings and improvements	361,642	9,457,747	9,819,389
Machinery, vehicles and equipment	4,999,646	151,719	5,151,365
Infrastructure	22,199,925	-	22,199,925
Less accumulated depreciation	#########	(6,741,402)	#########
Capital assets, net of depreciation	13,185,565	3,050,876	16,236,441
Intangible assets:			
Deferred charge on bond refunding	55,000	-	55,000
Less accumulated amortization	(45,833)	-	(45,833)
Intangible assets, net of amortization	9,167	-	9,167
Net pension asset	36,072	-	36,072
Total noncurrent assets	13,230,804	3,050,876	16,281,680
Total assets	14,684,400	3,684,797	18,369,197
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	4,358	-	4,358
Deferred outflows related to pensions	15,846	-	15,846
Total deferred outflows of resources	20,204	-	20,204
LIABILITIES			
Current liabilities:			
Accounts payable	276,223	188	276,411
Accrued payroll liabilities	26,585	-	26,585
Accrued interest payable	27,630	-	27,630
Bonds payable- current	1,027,000	-	1,027,000
Deposits payable- restricted assets	169,740	480	170,220
Total current liabilities	1,527,178	668	1,527,846
Noncurrent liabilities:			
Total OPEB liability	35,207	-	35,207
Compensated absences	16,506	-	16,506
Bonds payable	6,306,000	-	6,306,000
Total noncurrent liabilities	6,357,713	-	6,357,713
Total liabilities	7,884,891	668	7,885,559
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB	608	-	608
Deferred inflows related to pensions	107,358	-	107,358
Total deferred inflows of resources	107,966	-	107,966
NET POSITION			
Net invested in capital assets	6,587,565	3,050,876	9,638,441
Unrestricted	124,182	633,253	757,435
TOTAL NET POSITION	$ 6,711,747	$ 3,684,129	$ 10,395,876

The notes to the financial statements are an integral part of this statement.

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

	Water and Sewer Fund	Airport Fund	Total Enterprise Funds
OPERATING REVENUES			
Charges for Sales and Services			
Water sales	$ 2,705,145	$ -	$ 2,705,145
Sewer charges	687,517	-	687,517
Water service charges	18,726	-	18,726
Tap fees and penalties	49,132	-	49,132
Fuel and oil commissions	-	14,570	14,570
Lease rentals	-	6,502	6,502
Total operating revenues	3,460,520	21,072	3,481,592
OPERATING EXPENSES			
Personnel services	545,279	-	545,279
Material and supplies	1,090,607	24,333	1,114,940
Contracted services	62,500	-	62,500
Amortization	5,500	-	5,500
Depreciation	627,980	347,684	975,664
Total operating expenses	2,331,866	372,017	2,703,883
OPERATING INCOME (LOSS)	1,128,654	(350,945)	777,709
NON-OPERATING REVENUES (EXPENSES)			
Investment earnings	12,097	138	12,235
Miscellaneous revenues	2,734	-	2,734
Insurance proceeds	-	465,208	465,208
Interest expense	(181,019)	-	(181,019)
Net non- operating revenues (expenses)	(166,188)	465,346	299,158
INCOME BEFORE TRANSFERS	962,466	114,401	1,076,867
TRANSFERS OUT	(189,000)	-	(189,000)
CHANGE IN NET POSITION	773,466	114,401	887,867
BEGINNING NET POSITION	5,938,281	3,622,340	9,560,621
PRIOR PERIOD ADJUSTMENT	-	(52,612)	(52,612)
BEGINNING NET POSITION, AS RESTATED	5,938,281	3,569,728	9,508,009
ENDING NET POSITION	$ 6,711,747	$ 3,684,129	$ 10,395,876

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF CASH FLOWS—PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Water and Sewer	Airport	Total Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	$ 3,455,480	$ 21,072	$ 3,476,552
Payments to employees for salaries and benefits	(666,038)	-	(666,038)
Payments to suppliers and service providers	(954,023)	(24,383)	(978,406)
Net cash provided by (used in) operating activities	1,835,419	(3,311)	1,832,108
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES			
Transfers to other funds	(189,000)	-	(189,000)
Advances to other funds	(57,627)	(155,656)	(213,283)
Net cash used in non-capital financing activities	(246,627)	(155,656)	(402,283)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Interest paid on capital debt	(184,183)	-	(184,183)
Principal paid on capital debt	(1,006,000)	-	(1,006,000)
Acquisition or construction of capital assets	(812,613)	(6,513)	(819,126)
Cash received from insurance recoveries	-	465,208	465,208
Net cash provided by (used in) capital and related financing activities	(2,002,796)	458,695	(1,544,101)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment earnings	12,097	67	12,164
Proceeds from sale of investments	355,112		
Miscellaneous revenues	2,734	-	2,734
Net cash provided by investing activities	369,943	67	370,010
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	(44,061)	299,795	255,734
CASH AND EQUIVALENTS, BEGINNING	219,311	170,741	390,052
CASH AND EQUIVALENTS, ENDING	$ 175,250	$ 470,536	$ 645,786
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES			
Operating income (loss)	$ 1,128,654	$ (350,945)	$ 777,709
Adjustments to reconcile operating income to net cash flows from operating activities:			
Depreciation	627,980	347,684	975,664
Changes in operating assets			
Receivables and due from other funds	(9,130)	-	(9,130)
Pension deferred outflow/inflow and obligations	(124,411)	-	(124,411)
Changes in operating liabilities			
Accounts payable	204,584	(50)	204,534
Accrued liabilities and payroll	3,652	-	3,652
Customer deposits	4,090	-	4,090
Net cash provided by operating activities	$ 1,835,419	$ (3,311)	$ 1,832,108

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2020

		Private-Purpose Trust Funds
ASSETS		
Pooled cash and cash equivalents	$	327,801
Investments		641,270
Interest receivable		2,138
Total assets	$	971,209
NET POSITION		
Net position held for scholarship benefits	$	971,209
Total net position	$	971,209

The notes to the financial statements are an integral part of this statement.

CITY OF DALHART, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
SEPTEMBER 30, 2020

		Private-Purpose Trust Funds
ADDITIONS		
Contributions	$	67
Investment earnings		
Interest		13,925
Total additions		13,992
DEDUCTIONS		
Scholarship grants		3,000
Bank charges		3,460
Total deductions		6,460
CHANGE IN NET POSITION		7,532
NET POSITION, BEGINNING		963,677
NET POSITION, ENDING	$	971,209

The notes to the financial statements are an integral part of this statement.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Description of Reporting Entity

The City of Dalhart (the "City") operates under a charter adopted May 17, 1960, and it prescribes the "Council - Manager" form of government. The City is governed by a mayor, mayor pro-tem, and an eight-member council. The principle services accounted for as primary governmental functions include public safety, streets, sanitation, cultural and recreation, tourism, and general administrative services. In addition, the City maintains the water and sewer system and the airport facility, the operations of which are accounted for as enterprise funds.

The Dalhart Economic Development Corporation (the Corporation) is a "discretely presented component unit," of the City. The Corporation was organized to act on behalf of the City for the purpose of promotion, and development of industrial, manufacturing, and other economic enterprises in and around the City. Since the City has significant influence over the Corporation, it is discretely presented in the City's Annual Financial Report. Examples of significant influence are as follows: 1) The governing body of the Corporation is appointed by the City's Council; 2) The assets of the Corporation are managed by City employees; and 3) The Corporation's budget is approved by the City's Council. Complete financial statements for the Corporation may be obtained at the City's administrative offices.

Basis of Presentation – Government-wide Financial Statements

The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

As discussed earlier, the government has one discretely presented component unit. While it is not considered to be a major component unit, it is nevertheless shown in a separate column in the government-wide financial statements.

As a general rule, the effect on inter-fund activity has been eliminated from the government-wide financial statements. An exception to this general rule would be charges between the enterprise funds and the various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

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

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category; governmental, proprietary, and fiduciary. The emphasis of governmental fund financial statements is on the major governmental fund. All remaining governmental funds are aggregated and reported as non-major funds. The City reports the following major governmental fund:

<u>The General Fund</u> is the City's only major governmental fund and is its primary operating fund. It accounts for and reports all financial resources of the City except those required to be accounted for and reported in another fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES—Continued

Basis of Presentation – Government-wide Financial Statements—Continued

The City reports the following enterprise funds:

The Water and Sewer Fund is to account for the provisions of water and sewer services to residents and commercial enterprises of the City and approximate area and is considered a major fund. The City maintains this fund to account for water and sewer billing and collection, maintenance and operations, extension and improvements, consumer deposits and debt service, all of which are intended to be self-supporting through user charges.

The Airport Fund is to account for the operation of the Dalhart Airport, and is considered a major fund. In addition to providing runways and related facilities, the Airport includes improvements built by the Federal government for an Air Force Base, which were returned to the City during the 1940's. These facilities, together with later additions, are leased to commercial tenants for warehousing.

In addition, the City reports the following fund types:

Special Revenue Funds: These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Permanent Fund: The Cemetery Care Fund accounts for and reports sales of lots and contributions received and held in trust for perpetual care of the cemetery grounds.

Private Purpose Trust Funds: The Cleo Jenkins Scholarship Fund and the Bonnie Dejarnett Scholarship Fund account for and report funds received from the Cleo Jenkins Estate and Bonnie Dejarnett Estate that are being held in trust to be used for advancing higher education for the citizens of Dallam and Hartley Counties.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business- type activities are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in government activities are eliminated so that only the net amount is included as transfers in the government activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are levied. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Basis of Presentation – Government-wide Financial Statements—Continued

The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they are both measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they generally are not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Expenditures are recorded when the related liability is incurred, except for principal and interest on general long- term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they are due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

The proprietary, permanent trust, and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting.

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. The appropriated budget is prepared by fund and department, which is the legal level of budgetary control.

Appropriations in all budgeted funds lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed contracts for goods and services. Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control. While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re- appropriated and become part of the subsequent year's budget.

For the fiscal year, the budgeted change in General Fund Balance for the year was an increase of $1,799,560, and actual results were an increase of $3,228,462. This was primarily the result of significantly less expenditures than was budgeted for, especially in capital outlay which was under budget by $474,235.

The following departments' expenditures did exceed appropriations: garage ($54,753), parks and cemetery ($9,992), and debt service ($63,428). This overspending was covered by the underspending of most other departments within the General Fund.

The Water and sewer fund also had significantly favorable budget to actual results, where the fund's increase in net position was $773,466 when it was only budgeted to be $430,911. The only departments over expense budgets were Amortization and Depreciation which the City typically does not budget for, as these are non-cash expenditures.

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Investments

Investments in certificate of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes. City funds are invested in external pools which are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code. The City's investments in these pooled funds use amortized cost to value portfolio assets and follow the criteria for GASB Statement NO. 79.

Receivables and Payables

Amounts are aggregated into a single receivable (net of allowances for uncollectible) line for certain funds and aggregated columns. The allowance is based on historical experiences.

Payables consist of vendor obligations for goods and services.

Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies, vehicle repair parts, and fuel. The cost of such inventories is recorded as expenditures/expenses when consumed rather when purchased.

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Vehicles and machinery and equipment related assets are defined by the government as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of two years. Buildings and improvements are defined by the government as assets with an initial, individual cost of more than $25,000 and an estimated useful life in excess of two years. Infrastructure assets are defined by the government as assets with an initial, individual cost of more than $50,000 and an estimated useful life in excess of two years.

Land is not depreciated. The other property, plant, equipment, and infrastructure of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives
Buildings and improvements	6-50 years
Vehicles	3-15 years
Machinery and other equipment	3-20 years
Infrastructure	10-50 years

Inter-fund activity

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Debt Issuance Costs

The costs of issuing bonded debt or certificates of obligation for proprietary fund types are expensed as incurred.

Deferred Outflows/Inflows of Resources

The statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources,* represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports a deferred charge on refunding as well as the applicable amounts related to the implementation of GASB 68 on the statement of net position.

The statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources,* represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has several types of receivables that are not typically collected within sixty days after fiscal yearend and are therefore unavailable. Accordingly, unavailable revenue is reported only in the governmental funds balance sheet.

Pensions

For purposes of measuring the net pension asset or liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's Texas Municipal Retirement System (TMRS) Plan and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. The same goes for the Texas Emergency Services Retirement System (TESRS) Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In government-wide financial statements, net position is classified and displayed in three categories:

> Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds.
>
> Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.
>
> Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of "net investment in capital assets" or "restricted".

At times, the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance

Fund balance is reported in five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The classifications are as follows:

Non-spendable fund balance – (inherently not spendable)

Includes amounts that will never convert to cash or will not convert to cash in the current period, such as inventory, supplies, long-term portion of loans and non-financial assets held for resale or principal of an endowment.

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers such as grantors, contributors, laws and regulations of other governments, enabling legislation or constitutional provisions.

Committed fund balance – (self-imposed limitations)

Includes amounts that can be used for the specific purposes determined by a formal action of the City Council in form of a resolution. Commitments may be changed or lifted only by taking the same formal action that imposed the constraints originally.

Assigned fund balance – (limitation resulting from management's intended use)

Comprises amounts intended to be used for a specific purpose, as expressed by City Council, by a designated official or committee. By adopting this policy, the City Council has hereby authorized the City Manager as the official to assign fund balance to a specific purpose. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed, as it is intended to be used for the purpose of that fund.

Unassigned fund balance – (residual net resources)

This is the excess of total fund balance over non-spendable, restricted, committed, and assigned fund balance. Unassigned amounts are technically available for any purpose.

Order of Expenditure of Funds: When multiple categories of fund balances are available for expenditure (for example, a construction project is funded partly by grant money, funds set aside by the City Council, and unassigned fund balance) the City will start with the most restricted category first until depleted before moving to the next category with available funds. Spendable fund categories in order of most restricted to least restricted are: Restricted, Committed, Assigned, and Unassigned.

Unassigned Fund Balance: It is the goal of the City of Dalhart to achieve and maintain a minimum unassigned fund balance in the General Fund to ensure that there will be adequate liquid resources in the event of unanticipated circumstances and events. The minimum unassigned fund balance is set at 25% of

Designated Circumstances:
The minimum unassigned fund balance may be spent under these extreme circumstances:

1. Natural disasters, including but not limited to tornados, fire or flood.
2. Opportunities for a grant in which the matching portion may require a portion of the minimum unassigned fund balance.
3. Shortfall in the budgeted revenue in excess of 20%
4. Unforeseeable expenditures in excess of 20% over budget.
5. When unforeseen circumstances or emergencies in another fund require a fund transfer from the general fund.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance—Continued

Fund Balance—Continued

Replenishment of Minimum Unassigned Fund Balance:

1. When designated circumstances have reduced the unassigned fund balance below the targeted minimum level, the replenishment is to occur within 12 months.
2. Depending on the severity of the reduction of the minimum unassigned fund balance the following measures will be taken to replenish the minimum unassigned fund balance:
   a. Should calculations reveal that the minimum unassigned fund balance will be replenished through normal activity within the next 12 months no action is necessary
   b. Reduction of expenditures
   c. Delay of capital purchases
   d. Increase in fees and/or taxes
   e. Salary freeze
   f. Hiring freeze

Revenues and Expenditures/Expenses

Program Revenues

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 program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Water and Sewer Fund and the Airport Fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administration, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General Fund are based upon historical experience in collecting property 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.

Compensated Absences

The City provides its full-time employees paid vacation, sick days, and other personal days off, depending on length of service and other factors. Employees with one to nine years of service receive annual leave of two weeks; more than ten year, three weeks, and more than twenty year, four weeks. Only forty hours maybe carried over from one calendar year to the next. Additional vacation hours maybe granted for accumulated sick leave hours over sixty-four hours. Full-time employees may accumulate sick leave of ninety-six hours per year, and may accumulate up to seven hundred and twenty hours.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

Compliance and Accountability

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, if any, are reported below, along with actions taken to address such violations:

Violation: As noted in the Budgetary Information section above, several general fund departments had actual expenditures exceed the budget.

Action Taken: The over expenditures were covered by additional revenues received and using accumulated fund balance. The city council will monitor expenditures to make necessary budget amendment.

NOTE 2 – DEPOSITS AND INVESTMENTS

The following is a reconciliation of the City’s cash and investment balances as of September 30, 2020:

Cash and deposit balances consist of:		
Petty cash funds	$	1,675
Bank deposits (interest rate 0.1%)		2,793,672
Certificates of deposit (interest rates 1-1.75%)		750,000
Temporary investments - TexPool (interest rate 1.0151%)		1,388,488
Temporary investments - Texas LOGIC (interest rate 1.2827%)		9,099,522
Temporary investments - TexSTAR (interest rate 1.0384%)		20,151
Total	$	14,053,508
Cash and deposits are reported in the basic financial statements as follows:		
Government-wide Statement of Net Position:		
Unrestricted	$	9,263,123
Restricted		917,478
Total primary government		10,180,601
Component unit		2,903,836
Fiduciary Funds Statement of Net Position		969,071
Total	$	14,053,508

Custodial Credit Risk – Deposits

During the normal course of operations, with the City’s routine deposit and check writing structure, the City may, at times, carry bank balances that exceed federally insured limits. City management does not consider this to be a significant risk to the City

Interest rate risk is the risk that adverse changes in interest rates will result in an adverse effect on the fair value of an investment. The City manages its exposure to interest rate risk by limiting the weighted average maturity of its investment portfolio to three years or less.

Credit risk is the risk that an insurer or other counterparty to an investment will not fulfill its obligations. State law and City policy limit investments in local government pools to those rated no lower than AAA or an equivalent rating by at least on nationally recognized rating service.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. As of September 30, 2020, 75% of the City’s carrying value of cash was deposited in pooled investment accounts and 5% of the City’s investments were comprised of certificates of deposits that are deposited with the City’s banks and financial institutions.

NOTE 2 – DEPOSITS AND INVESTMENTS—Continued

Investment Accounting Policy

All 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.

Public Funds Investment Pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Inter-local Cooperative Act, Chapter 791 of the Texas Government Code, and are subject to the provisions of the **Public Funds Investment Act** (the “Act”), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service: and 3) maintain the fair value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City’s investments in Pools use amortized cost to value portfolio assets and follows the criteria for GASB Statement No. 79 for use of amortized cost. These Pools do not place any limitations or restrictions such as notice periods or maximum transaction amounts on withdrawals. The Pools have a credit rating of AAAm from Standard & Poor’s Financial Services. Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety principle. The Pools each invest in a quality portfolio of debt securities that are legally permissible for local governments in the state.

NOTE 3 – RECEIVABLES

Receivables for the governmental (general and non-major funds) and business-type activities (water and sewer, airport funds) in the aggregate including the applicable allowance for uncollectible accounts as follows:

	Governmental		Business-type	
	General	Non-major	Water & Sewer	Total
Receivables				
Accounts	$ 228,717	$ 5,265	$ 436,153	$ 670,135
Fire services agreements	577,681	-	-	577,681
Property taxes	46,382	-	-	46,382
Sales taxes	355,013	-	-	355,013
Franchise taxes	92,962	-	-	92,962
Hotel/motel occupancy taxes	-	74,955		74,955
Paving assessment	117,313	-	-	117,313
Interest	3,951	-	-	3,951
Total gross receivables	1,422,019	80,220	436,153	1,938,392
Less: Allowance for uncollectibles				
Utility services accounts	(16,421)	-	(31,845)	(48,266)
Taxes	(10,969)	-	-	(10,969)
Paving assessment	(27,507)			(27,507)
Net total receivables	$ 1,367,122	$ 80,220	$ 404,308	$ 1,851,650

NOTE 4 – CAPITAL ASSETS

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

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities				
Capital assets not being depreciated:				
Land	$ 255,694	$ -	$ -	$ 255,694
Total capital assets not being depreciated	255,694	-	-	255,694
Capital assets being depreciated				
Buildings and improvements	6,318,412	61,073	(118,295)	6,261,190
Machinery, vehicles and equipment	8,944,835	1,161,363	(487,189)	9,619,009
Infrastructure	5,272,604	-	-	5,272,604
Total capital assets being depreciated	20,535,851	1,222,436	(605,484)	21,152,803
Less accumulated depreciation for:				
Buildings and improvements	(3,274,389)	(208,091)	-	(3,482,480)
Machinery, vehicles and equipment	(6,541,541)	(555,154)	469,205	(6,627,490)
Infrastructure	(4,773,190)	(85,007)	-	(4,858,197)
Total accumulated depreciation	(14,589,120)	(848,252)	469,205	(14,968,167)
Total capital assets being depreciated, net	5,946,731	374,184	(136,279)	6,184,636
Governmental activities capital assets, net	$ 6,202,425	$ 374,184	$ (136,279)	$ 6,440,330

Depreciation expense was charged to the departments of the governmental activities of the primary government as follows:

Governmental activities:	
General	$ 35,025
Judicial	1,847
Public safety:	
Fire	9,075
Police	54,117
Street	129,736
Sanitation	62,206
Garage	1,057
Culture and recreation:	
Parks and cemetery	12,488
Swimming pool	28,539
Special revenue funds:	
Rita Blanca Park	89,020
Fleet	425,142
	$ 848,252

NOTE 4 – CAPITAL ASSETS—Continued

Capital asset activity for business-type activities for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Reclassifications/ Transfers	Ending Balances
Business-type					
Capital assets not being depreciated:					
Land	$ 229,507	$ -	$ -	$ -	$ 229,507
Construction in progress	8,411,225	628,346	-	(9,039,571)	-
Total capital assets not being depreciated	8,640,732	628,346	-	(9,039,571)	229,507
Capital assets being depreciated					
Buildings and improvements	9,819,389	-	-		9,819,389
Machinery, vehicles and equipment	5,295,009	190,780	(334,424)		5,151,365
Infrastructure	13,160,354	-	-	9,039,571	22,199,925
Total capital assets being depreciated	28,274,752	190,780	(334,424)	9,039,571	37,170,679
Less accumulated depreciation for:					
Buildings and improvements	(6,581,131)	(350,330)	-	-	(6,931,461)
Machinery, vehicles and equipment	(4,195,410)	(142,640)	334,424	-	(4,003,626)
Infrastructure	(9,745,964)	(482,694)	-	-	(10,228,658)
Total accumulated depreciation	(20,522,505)	(975,664)	334,424	-	(21,163,745)
Total capital assets being depreciated, net	7,752,247	(784,884)	-	9,039,571	16,006,934
Governmental activities capital assets, net	$ 16,392,979	$ (156,538)	$ -	$ -	$ 16,236,441

Depreciation expense was charged to the Enterprise funds as follows:

Business-type activities:	
Water- Administrative	$ 26,058
Water- Distribution	177,705
Sewer	424,217
Airport	347,684
	$ 975,664

NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS

The primary purpose of inter-fund receivables and payables is the loaning of resources between various funds for the purpose of meeting current year expenditures. Additionally, because the City utilizes pooled cash for its operations, individual funds' "cash equity" balances can sometimes be negative. To avoid a negative cash position on the face of the financial statements, interfund receivables and payables are established to essentially cover the negative fund's cash balance.

Details of the interfund receivables and payables as of September 30, 2020 are as follows:

Fund	Interfund Receivables	Interfund Payables	Net due (to)/from
General fund	$ 5,427	$ 972,006	$ (966,579)
Special Revenue funds:			
Motel Occupancy	68,624	-	68,624
Community Development	25,059	-	25,059
Rita Blanca Park	3,800	5,427	(1,627)
Fleet	661,240	-	661,240
Proprietary funds:			
Airport	155,656	-	155,656
Water and Sewer	57,627	-	57,627
Total	$ 977,433	$ 977,433	$ -

NOTE 5 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS—Continued

The primary purpose for inter-fund transfers is to supplement various funds' resources depending on the budgeted goals of the City and the current need. Details of the interfund transfers from the year ended September 30, 2020 are as follows:

Fund	Interfund Transfers In	Interfund Transfers Out	Net transfer in/(out)
General fund	$ 222,200	$ 98,486	$ 123,714
Proprietary Funds:			
Water and Sewer	-	189,000	(189,000)
Special Revenue Funds:			
Rita Blanca Park	96,986	-	96,986
Permament Fund:			
Cemetery	-	21,700	(21,700)
Discretely presented component unit:			
EDC		10,000	(10,000)
	$ 319,186	$ 319,186	$ -

NOTE 6 – LONG-TERM LIABILITIES

Changes to Governmental type long-term liabilities balances for the year ended September 30, 2020 were as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Certificates of Obligation, Series 2020	$ -	$ 2,450,000	$ -	$ 2,450,000	$ 25,000
Capital Lease Payable	-	350,650	(85,169)	265,481	75,883
Governmental activity long-term liabilities	$ -	$ 2,800,650	$ (85,169)	$ 2,715,481	$ 100,883

Certificates of Obligation, Series 2020

In 2020, the City issued $2,450,000 in Combination Tax and Revenue Certificates of Obligation, Series 2020 with an interest rate of 5%. The proceeds will be used for construction of a transfer station at the municipal solid waste landfill, and for a new tractor-trailer to transport waste overages to nearby landfills. The certificates will be repaid from ad valorem tax levied and revenue from the utility fund. For fiscal year ended September 30, 2020, there were no debt service payments required on this obligation.

Upon the issuance of this obligation, the City recognized a premium on the issuance of debt in the amount of $115,847, where they were given $115,847 more proceeds than the $2,450,000 face value of the certificates. This is equal to the present value of the excess interest expense, or "premium" the City will pay to the certificate holder for the first eight years after issuance. The City will recognize this premium on a straight-line amortization method over the eight years.

Future debt service requirements for the 2020 Certificates of obligation fall on the following page:

NOTE 6 – LONG-TERM LIABILITIES—Continued

	Combination Tax and Revenue Certificates of Obligation Series 2020		
Year Ending September 30,	Principal	Interest	Total
2021	$ 25,000	$ 103,765	$ 128,765
2022	45,000	82,075	127,075
2023	50,000	79,700	129,700
2024	50,000	77,200	127,200
2025	55,000	74,575	129,575
2026-2030	315,000	331,025	646,025
2031-2035	370,000	271,501	641,501
2036-2040	435,000	207,735	642,735
2041-2045	510,000	133,907	643,907
2046-2050	595,000	47,734	642,734
Totals	$ 2,450,000	$ 1,409,217	$ 3,859,217

Capital Lease Payable

Also in 2020, the City's Fleet fund entered into a three year capital lease agreement for a piece of heavy equipment from John Deere. The lease obligation bears interest at 3.45%, and matures October 23, 2022, when the City will have the option to buy the equipment out right for a final payment of $115,000.

Future minimum lease payments to John Deere are as follows:

	John Deere Capital Lease Payable		
Year Ending September 30,	Principal	Interest	Total
2021	$ 75,883	$ 9,306	$ 85,189
2022	78,522	6,647	85,169
2023	111,076	3,924	115,000
Totals	$ 265,481	$ 19,877	$ 285,358

Changes to the business-type long term liabilities for the year ended September 30, 2020 are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-type activities					
Bonds payable					
General Obligation Refunding Bonds, Series 2012	$ 1,095,000	$ -	$ (360,000)	$ 735,000	$ 365,000
Certificates of Obligation, Series 2014	7,244,000	-	(646,000)	6,598,000	662,000
Busineses-type activities long-term liabilities	$ 8,339,000	$ -	$ (1,006,000)	$ 7,333,000	$ 1,027,000

NOTE 6 – LONG-TERM LIABILITIES—Continued

General Obligation Refunding Bonds, Series 2012

In 2012, the City issued $3,455,000 in General Obligation Refunding Bonds with interest rates ranging from 1.0% to 2.0%. The proceeds were used to advance refund $3,370,000 of outstanding Certificates of Obligation, Series 2002 which had an interest rate at 3.07%. The net proceeds of $3,425,000 (after payment of $65,000 in underwriting fees and other issuance costs) were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. The refunding charge of $55,000 is being amortized over the life of the bond and is reported as a deferred outflow of resources on the statement of net position.

The debt service requirements for the City's general obligation bonds are as follows:

	General Obligation Refunding Bonds Series 2012		
Year Ending September 30,	Principal	Interest	Total
2021	$ 365,000	$ 10,685	$ 375,685
2022	370,000	3,700	373,700
Totals	$ 735,000	$ 14,385	$ 749,385

The City advance refunded the Certificates of Obligation, Series 2002 obligations to reduce its total debt service payments over eleven years by $610,473 and to obtain an economic gain (difference between the present value of the debt service payments of the old and new debt) of $211,687.

Certificates of Obligation, Series 2014

In 2014, the City issued $9,673,000 in Combination Tax and Revenue Certificates of Obligation, Series 2014 with an interest rate of 2.49%. The proceeds will be used for construction improvements to the water and sewer infrastructure. The certificates will be repaid from ad valorem tax levied and revenue from the utility fund. For fiscal year ended September 30, 2020, no additional ad valorem taxes have been levied; the utility fund revenues will be used to repay the bond.

The debt service requirements for the City's certificates of obligation are as follows:

	Combination Tax and Revenue Certificates of Obligation Series 2014		
Year Ending September 30,	Principal	Interest	Total
2021	$ 662,000	$ 156,048	$ 818,048
2022	679,000	139,353	818,353
2023	696,000	122,279	818,279
2024	714,000	104,680	818,680
2025	732,000	86,677	818,677
2026-2027	1,519,000	88,096	1,607,096
2028-2029	1,596,000	39,989	1,635,989
Totals	$ 6,598,000	$ 737,122	$ 7,335,122

NOTE 7 – PENSION PLANS

Texas Municipal Retirement System (TMRS)

All eligible non-fire department employees of the City must participate in the TMRS Plan. Disclosures regarding the City's liabilities, deferred inflows, and deferred outflows related to the plan required by GASB Statement No. 68 – Pension Reporting Requirements, are as follows:

Plan Description. The City participates as one of 888 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as 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.

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.

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

Inactive employees or beneficiaries currently receiving benefits	35
Inactive employees entitled to but not yet receiving benefits	75
Active employees	66
Total	176

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

Employees for the City were required to contribute 5% of their annual gross earnings during the 2020 fiscal year. The City's required matching contributions were calculated as 200% of the employees' contributions in fiscal year 2020. The City's contributions to TMRS for the year ended September 30, 2020 were $136,056 and were equal to the required contributions.

Net Pension Liability. The City's Net Pension Liability (NPL) was measured as of December 31, 2019, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

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

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%

NOTE 7 – PENSION PLANS—Continued

Texas Municipal Retirement System (TMRS)—Continued

Actuarial assumptions—Continued

These actuarial assumptions used in the December 31, 2019 valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period from December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. Economic assumptions used in the actuarial valuations are as follows.

Discount/Crediting Rates, System-wide Investment Return Assumption: 6.75% per year, compounded annually, composed of an assumed 2.50% inflation rate and a 4.25% net real rate of return. This rate represents the assumed return, net of all investment and administrative expenses. This is the discount rate used to value the liabilities of the individual employers.

Assumed discount/crediting rate for Supplemental Disability Benefits Fund and individual employee accounts: an annual rate of 5.00% for (1) accumulating prior service credit and updated service credit after the valuation date, (2) accumulating the employee current service balances, (3) determining the amount of the monthly benefit at future dates of retirement or disability, and (4) calculating the actuarial liability of the system-wide Supplemental Disability Benefits Fund.

Overall Payroll Growth – 2.75% per year, which is used to calculate the contribution rates for the retirement plan of each participating city as a level percentage of payroll. This represents the expected increase in total payroll. This increase rate is solely due to the effect of wage inflation on salaries, with no allowance for future membership growth. However, for cities with a decrease in the number of contributing members from 2008 to 2018, the payroll growth is decreased by half the annual percentage decrease in the count capped at a 1.0% decrease per year and rounded down to the nearest 0.1%.

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 by the following graduated service-based scale.

Annuity Increase: The Consumer Price Index (CPI) is assumed to be 2.50% per year prospectively. For the City of Dalhart annual annuity increases of 0.00% are assumed when calculating the TPL.

Load for Updated Service Credit: To reflect the asymmetric nature of the credits due to the USC provision, there is a load on the final average earnings used in the calculation of 0.1% per year into the future that the calculation is performed.

Demographic assumptions used in the actuarial valuations are as follows:

Termination rates: For the first 10 years of service, the base table rates vary by gender, entry age, and length of service. For City of Dalhart the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee’s classification: 1) Fire – 68%, 2) Police – 86%, or 3) Other – 108%. After 10 years of service, base termination rates vary by gender and by the number of years remaining until first retirement eligibility. For City of Dalhart the base table is then multiplied by a factor of 75.0% based on the experience of the city in comparison to the group as a whole. A further multiplier is applied depending on an employee’s classification: 1) Fire – 54%, 2) Police – 83%, or 3) Other – 113%.

Forfeiture Rates: (Withdrawal of Member Deposits from TMRS) for vested members vary by age and employer match, and they are expressed as a percentage of the termination rates described above. The withdrawal rates for cities with a 2-to-1 match, like Dalhart, range between 20.7% and 40.2% based on age of the withdrawing member.

Service Retirees and Beneficiary Mortality Rates: For calculating the actuarial liability and the retirement contribution rates, the Gender-distinct 2019 Municipal Retirees of Texas mortality tables. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements. Based on the size of the city, rates are multiplied by an additional factor of 100%.

NOTE 7 – PENSION PLANS—Continued

Texas Municipal Retirement System (TMRS)—Continued

Actuarial assumptions—Continued

Disabled Annuitant Mortality Rates: For calculating the actuarial liability and the retirement contribution rates, the mortality tables for healthy retirees is used with a 4 year set -forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Pre-Retirement Mortality: For calculating the actuarial liability and the retirement contribution rates, the PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements.

Annuity Purchase Rates: For determining the amount of the monthly benefit at the time of retirement for both healthy and disabled annuitants, the annuity purchase rates (APRs) until 2027 are based on a mortality study performed in 2013, with the factors phasing into being based on a unisex blend of the RP-2000 Combined Healthy Mortality Tables with Blue Collar Adjustment for males and females with both male and female rates multiplied by 107.5% and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032 and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For members, a unisex blend of 70% of the males table and 30% of the female table is used, while 30% of the male table and 70% of the female table is used for beneficiaries.

The following table summarizes changes in the Total Pension Liability and Plan Fiduciary Net Position (the difference of which is the Net Pension Liability) between the December 31, 2018 and December 31, 2019 measurement dates:

		Increase (Decrease)		
Changes in Net Pension Liability / (Asset)		Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	$	8,621,269	8,160,087	461,182
Changes for the year:				
Service cost		277,667	-	277,667
Interest on total pension liability		568,610	-	568,610
Change in benefit terms		-	-	-
Difference between expected and actual experience		(3,081)	-	(3,081)
Change in assumptions		35,077	-	35,077
Benefit payments, including refunds of employee contributions		(672,505)	(672,505)	-
Contributions- employer		-	135,222	(135,222)
Contributions- employee		-	144,468	(144,468)
Net investment income		-	1,257,909	(1,257,909)
Administrative expenses		-	(7,128)	7,128
Other		-	(213)	213
Balances as of December 31, 2019	$	8,827,037	9,017,840	(190,803)

Plan fiduciary net position as a percentage of the total pension liability		102.16%
Covered payroll	$	2,889,357
Net pension liability/ (asset) as a percentage of covered payroll		-6.60%

NOTE 7 – PENSION PLANS—Continued

Texas Municipal Retirement System (TMRS)—Continued

Sensitivity of the Discount Rate

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

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	$ 917,842	$ (190,803)	$ (1,111,412)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately issued TMRS financial report. That report may be obtained on the internet at www.TMRS.com.

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

For the year ended September 30, 2020, the City recognized pension expense of $203,174. At September 30, 2020, the City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference in expected and actual experience	$ (2,188)	$ -
Change in assumptions	-	24,910
Difference in projected and actual earnings	(565,682)	-
Contributions made to TMRS subsequent to the measurement date		95,132
Total	$ (567,870)	$ 120,042

$95,132 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2020	$ (63,671)
2021	(7,167)
2022	28,963
2023	(141,419)
2024	-
Thereafter	-
Total	$ (183,294)

Required Supplementary Information

The City is required to present its Schedule of Changes in its Net Pension Liability and Related Ratios which shows the changes in the Total Pension Liability and the Fiduciary Net Position, resulting in the Net Pension Asset as of September 30, 2020. This supplementary information beginning on page 39 includes further details regarding the actuarial assumptions for the December 31, 2019 valuation date.

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Texas Emergency Services Retirement System (TESRS)

Plan Description

The Texas Emergency Services Retirement System (TESRS) administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. Direct financial activity for the System is classified in the financial statements as pension trust funds. The System issues a stand-alone financial report that is available to the public at www.tesrs.org.

Of the nine-member state board of trustees, at least five trustees must be active members of the pension system, one of whom must represent emergency medical services personnel. One trustee may be a retiree of the pension system, and three trustees must be persons who have experience in the fields of finance, securities investment, or pension administration. At August 31, 2019 there were 237 contributing fire and/or emergency service department members participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a member department.

Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Benefits Provided

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

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

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

Covered Membership

On August 31, 2019, the pension system membership consisted of 13 non-participating vested members and 11 active participants.

Funding Policy

Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (this minimum contribution is $36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System "actuarially sound" each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Texas Emergency Services Retirement System (TESRS)—Continued

Funding Policy—Continued

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percent of the Part One portion (not to exceed 15%), is to be actuarially adjusted near the end of each even-numbered calendar year based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2019, the Part Two contribution rate was 0%, since the first actuarial valuation report after adoption of the rules showed in the System to have an adequate contribution arrangement without any Part Two contributions.

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

A small subset of participating departments have a different contribution arrangement which is being phased out over time. In this arrangement, contributions made in addition to the monthly contributions for active members, are made by local governing bodies on a pay-as-you-go basis for members who were pensioners when their respective departments merged into the System. There is no actuarial impact associated with this arrangement as the pay-as-you-go contributions made by these governing bodies are always equal to the benefit payments paid by the System.

Contributions Required and Contributions Made

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending August 31, 2019, total contributions (dues and prior service, and interest on financing of prior service) of $13,154 were paid into TESRS by the City.

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

The most recently completed biennial actuarial valuation as of August 31, 2019 stated that TESRS has an adequate contribution arrangement for the benefit provisions recognized in the valuation based on the expected total contributions, including the expected contributions both from the governing body of each participating department and from the state. The expected contributions from the state are state appropriations equal to (1) the maximum annual contribution (one- third of all contributions to TESRS by governing bodies of participating departments in a year) as needed in accordance with state law governing TESRS and (2) approximately $725,000 each year to pay for part of the System's administrative expenses.

Net Pension Liability

The City's net pension liability was measured as of August 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2019. Changes to the net pension liability for the year ended August 31, 2019 fall on the following page:

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Texas Emergency Services Retirement System (TESRS)—Continued

Net Pension Liability—Continued

Changes in Net Pension Liability / (Asset)	Increase (Decrease) Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension (a) - (b)
Balances as of August 31, 2018	$ 381,274	$ 314,374	$ 66,900
Changes for the year:			
Service cost	5,486	-	5,486
Interest on total pension liability	31,025	-	31,025
Change in benefit terms	-	-	-
Difference between expected and actual	-	-	-
Change in assumptions	-	-	-
Benefit payments, including refunds of	(18,910)	(18,910)	-
Employer contributions	-	10,233	(10,233)
State contributions	-	3,908	(3,908)
Net investment income	-	3,353	(3,353)
Administrative expenses	-	(667)	667
Other	-	3,248	(3,248)
Balances as of August 31, 2019	$ 398,875	$ 315,539	$ 83,336
Plan fiduciary net position as a percentage of the total pension liability			79.11%
Covered payroll			$ 98,597
Net pension liabilityas a percentage of covered payroll			84.52%

Actuarial Assumptions

The total pension liability in the August 31, 2019 actuarial valuation was determined using an inflation rate of 3.00% and an investment rate of return rate of 7.75%, net of pension plan investment expense, including inflation.

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

The long-term rate of return on pension plan investments was determined using a building-block method in which expected future net real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 5.01%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption reflected a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in table on the following page:

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Texas Emergency Services Retirement System (TESRS)—Continued

Actuarial Assumptions—Continued

Asset Class	Target Allocation (1)	Geometric Real Rate of Return (2)
US Equities		
Large cap domestic	32.00%	5.81%
Small cap domestic	15.00%	5.92%
Developed international	15.00%	6.21%
Emerging markets	5.00%	7.18%
Master limited partnership	5.00%	7.61%
Fixed income		
Domestic	23.00%	1.61%
Cash	0.00%	0.00%
Total	95.00%	
Weighted average		5.01%

Discount Rate

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2019 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to changes in the discount rate

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

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
System's net pension liability	$ 148,117	$ 83,336	$ 39,973

NOTE 7 – EMPLOYEE RETIREMENT BENEFITS – Continued

Texas Emergency Services Retirement System (TESRS)—Continued

Pension Expense/ (Income)

The following shows a schedule of the pension expense recognized by the City through its adjustments to net pension liability and deferred inflows and outflows:

	Year Ended August 31, 2019
Service cost	$ 5,486
Interest	31,025
Projected earnings on pension plan investments	(26,076)
Amortization of differences between projected and actual earnings on plan investments	8,473
Amortization of changes of assumptions	238
Amortization of differences between expected and actual experience	(65)
Pension plan administrative expense	667
Pension expense (income)	$ 19,747

Deferred Inflows/ Outflows of Resources

Deferred inflows and outflows on the accompanying financial statements related to TESRS plan are made up of the following:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Differences between expected and actual experience	$ (101)	$ -
Net difference between projected and actual investment earnings on pension plan investments	-	10,732
	$ (101)	$ 10,732

Net Inflow/Outflow for future years

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Fiscal Year ended August 31,	Net Deferred Outflows of Resources
2020	$ 2,263
2021	1,186
2022	2,637
2023	4,545
	$ 10,631

All assumptions for the August 31, 2019 pension disclosure are contained in the August 31, 2019 Audited Annual Financial Reports of Texas Emergency Services Retirement System, copies of which may be obtained at www.tesrs.texas.gov.

NOTE 8: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Plan Description

The City of Dalhart voluntarily participates in the Texas Municipal Retirement System Supplemental Death Benefits Fund (TMRS SDBF). The SDBF is a defined benefit group-term life insurance Other Postemployment Benefit (OPEB) plan as defined by GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75. It is established and administered in accordance with the TMRS Act identically to the City's pension plan.

Benefits Provided

The SDBF provides group-term life insurance to City employees who are active members in TMRS, including or not including retirees. The City Council opted into this system via an ordinance, and may terminate coverage under, and discontinue participation in, the SDBF by adopting an ordinance before November 1st of any year to be effective the following January 1st. Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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.

Employees Covered by Benefit Terms

In the December 31, 2019 actuarial valuation, the following number of employees were covered by the benefit terms:

Inactive employees currently receiving benefits	24
Inactive employees entitled to but not yet receiving benefits	8
Active employees	66
Total	98

Contributions

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

Actuarial Methods and Assumptions

The SDBF OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5%
Salary increases:	3.50% to 11.5% including inflation
Discount rate:	3.71%

Salary increases were based on a service-related table

Discount Rate: Because the Supplemental Death Benefits Fund is considered an unfunded trust under GASB Statement No. 75, the relevant discount rate for calculating the Total OPEB Liability is based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of the measurement date.

The SDBF's actuarial assumptions for Individual Salary Increases, Termination Rates, Forfeiture Rates, Service Retirees and Beneficiary Mortality Rates, Disabled Annuitant Mortality Rates, Pre-Retirement Mortality, Disability Rates, and Service Retirement Rates, applied to both Active and Inactive Members are the same as those described for the TMRS Pension Plan, in Note 7.

NOTE 8: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)—Continued

Discount Rate

The SDBF program is treated as an unfunded OPEB plan because the SDBF trust covers both actives and retirees and the assets are not segregated for these groups. As such, a single discount rate of 2.75% was used to measure the SDBF OPEB Liability. Because the plan is essentially a “pay-as-you-go” plan, the single discount rate is equal to the prevailing municipal bond rate. The source of the municipal bond rate was fixed income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index’s “20-year Municipal GO AA Index” as of December 31, 2019.

Sensitivity of the SDBF OPEB Liability to Changes in the Discount Rate. The following schedule shows the impact of the SDBF OPEB liability if the discount rate used was 1% less than (1.75%) and 1% greater than (3.75%) the discount rate that was used (2.75%) in measuring the OPEB liability:

	1% Decrease (1.75%)	Current Discount Rate (2.75%)	1% Increase (3.75%)
Net pension liability	$ 229,880	$ 192,949	$ 163,856

OPEB Liability

At September 30, 2020, the City reported a liability of $192,949 for its total SDBF OPEB liability. The total SDBF OPEB liability was determined by an actuarial valuation as of December 31, 2019. There were no changes of benefit terms that affected measurement of the Total SDBF Liability during the measurement period.

The total OPEB Liability was effected by the following changes between the December 31, 2018 and 2019 valuation dates is as follows:

Changes in Total OPEB Liability	
Balances as of December 31, 2018	$ 154,507
Changes for the year:	
Service cost	6,357
Interest on total pension liability	5,823
Change in benefit terms	-
Difference between expected and actual experience	(1,688)
Change in assumptions	29,395
Benefit payments*	(1,445)
Balances as of December 31, 2019	$ 192,949
Covered payroll	2,889,357
Total OPEB Liability as a percentage of covered payroll	6.68%

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

NOTE 8: POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)—Continued

OPEB Liability—Continued

At September 30, 2020, the City reported deferred outflows of resources related to the SDBF OPEB from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Difference in expected and actual experience	$ (3,332)	$ -
Change in assumptions	-	23,884
Totals	$ (3,332)	$ 23,884

These deferred outflows of resources related to SDBF OPEB will be recognized in OPEB expense as follows:

Year ended December 31:	
2020	$ 4,169
2021	4,169
2022	4,169
2023	2,734
2024	3,908
Thereafter	1,403
Total	$ 20,552

NOTE 9 – RISK OF LOSS

The City is exposed to risks of loss from destruction of City property and from general liability incurred as a part of performing the City's normal operations. The City is protected from these risks through insurance through the Texas Municipal Intergovernmental Risk Pool. The City's loss exposure is limited to deductibles of $1,000 to $5,000 within specified aggregate limits. All claims exceeding the specified deductibles are the responsibility of Texas Municipal Intergovernmental Risk Pool and not the City. There have been no reductions in insurance coverage from coverage in the prior year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The City's employees are covered under the Texas Municipal Intergovernmental Risk Pool. The City has no liability under the plan over and above normal premium contributions.

Health insurance is provided for City employees under a traditional plan through the Texas Municipal League. Any portion of health insurance premiums for employee's spouses or dependents are paid for by the employee.

NOTE 10 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS

State and federal laws and regulations require that most cities place a final cover on their landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure as required under subtitle D.

The Texas Natural Resource Conservation Commission and the EPA granted an Arid Exemption to qualifying landfills that extended the deadline for compliance with subtitle D until October 9, 1997. Arid exempt landfills were encouraged to cease operations prior to the October 9, 1997 deadline, therefore avoiding the costly requirements of subtitle D relating to the 30-year post-closure monitoring and maintenance. The City of Dalhart is a qualified Arid exempt landfill and by September 30, 1997, had designated the portion of their landfill used to that date closed and placed the final cover over that area. The City believes that the closed area of their landfill is not subject to the subtitle D post-closure requirements.

NOTE 10 – ACCOUNTING FOR MUNICIPAL SOLID WASTE LANDFILL CLOSURE AND POST-CLOSURE CARE COSTS—Continued

The remaining capacity of the City's landfill is estimated at 1,090,463.3 cubic yards. This remaining capacity will continue to be operated by the City as a Municipal Solid Waste Landfill and will subject to the subtitle D requirements and should have a life of approximately 34.6 years. In addition to operating expenditures related to current activities of the landfill, a related liability is recognized based on estimated future closure and post-closure care costs that will be incurred near or after the date that the landfill no longer accepts solid waste. The estimated total current cost of the landfill closure and post-closure care of $1,332,550 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2020. The estimated liability for closure and post-closure cost accrued on the City's books for the year ended September 30, 2020 was $595,262, which is based on accumulated usage of the 76.86-acre landfill area. It is estimated that an additional $753,278 will be recognized as closure and post-closure costs between the balance sheet date and the date that the landfill is filled to capacity. However, the actual cost of closure and post-closure care is subject to change due to inflation, change in technology, or changes in landfill laws and regulations. As of September 30, 2020, the City has used approximately 44% of the available landfill capacity. It is estimated that the landfill has a remaining life of 34.6 years.

The City recognized $60,012 in Landfill remediation expense through the Sanitation department of the General fund for the year ended September 30, 2020, based on adjusting the total closure and post closure costs for inflation.

The City of Dalhart demonstrates financial assurance for closure and post-closure care cost associated with the landfill by using the financial test specified in Subchapter K of 31 Texas Administrative Code 330,285(g). The City believes that it meets all of the objectives of the financial test, and that no further action will be necessary to prove financial assurance.

NOTE 11 – CONDUIT DEBT OBLIGATIONS

During prior years, the City issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of September 30, 2020, there was one series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of $2,950,000.

NOTE 12 – DEFFERRED COMPENSATION PLAN

The City offers its employees an option to participate in a Deferred Compensation Program (Plan) created in accordance with Internal Revenue Code (IRC Section 457). Previously, IRC Section 457 had required that all amounts deferred by the Plan's participants remain solely the property and rights of the sponsoring municipality, subject only to the claims of the municipality's general creditors. As such, the assets of the Plan were reflected at market value within an agency fund.

IRC Section 457 was amended in 1996. The amendments require that in order to be considered an eligible plan, all assets and income of the Plan must be held in trust for the exclusive benefit of the participants and their beneficiaries. To comply with this requirement, the Plan entered into a trust and custody agreement with a third party to provide custodial services with respect to the assets of the Plan. Pursuant to GASB Statement No. 32, Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans, the assets of the Plan are no longer required to be reflected within an agency fund of the participating municipality. Accordingly, these assets are not reflected in the financial statements.

NOTE 13 – RESTRICTED NET POSITION

Net Position is restricted for the following purposes in these amounts as of September 30, 2020:

• Public Safety:	$35,672	
o Police department state training funds:		$3,096
o Drug seizure funds:		$6,430
o Municipal court technology funds:		$26,146
• Tourism and community development:	$342,079	
o Hotel/Motel Occupancy tax funds:		$342,079
• Cemetery endowment fund:	$539,727	
o Non-expendable (original investment):		$265,657
o Expendable:		$174,070

NOTE 14—PRIOR PERIOD ADJUSTMENT

It was discovered during the audit of the year ended September 30, 2020 that several years prior, the City's Airport fund conveyed ownership of 377.676 acres of land adjacent to the airport to the Dalhart Economic Development Corporation (the EDC), the City's discretely presented component unit. A prior period adjustment was made to remove the land from the Airport's books and establish it on the EDC's in the amount of $52,612.

NOTE 15—RECLASSIFICATIONS

Certain line items in the financial statements as of and for the year ended September 30, 2020 have been reclassified as compared to the year ended September 30, 2019. Other than the prior period adjustment described in the preceding note, these reclassifications had no effect on the change in net position or fund balances of the City in either fiscal year.

NOTE 16—NEW ACCOUNTING PRONOUNCEMENTS

The Governmental Accounting Standards Board (GASB) issued the following statements effective for future fiscal periods as described below. The City is in the process of reviewing and evaluating these statements and their potential impact on the City's financial statements:

- Statement No. 87 "*Leases*" – This Statement is to improve the accounting and financial reporting for leases by governments by requiring recognition of certain lease assets and liabilities previously classified as operating leases. It establishes a single model for lease accounting based on the principle that leases are financing the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, enhancing the relevance and consistency of information about leasing activities. This Statement will become effective for the City in fiscal year 2021.

- Statement No. 89 "*Accounting for Interest Cost Incurred before the End of a Construction Period*" – This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement requires these interest costs be recognized as an expense in the period in which the cost is incurred instead of being included in the cost of capital assets reported in a business-type activity or enterprise fund. This Statement will become effective for the City in fiscal year 2021.

NOTE 17– SUBSEQUENT EVENTS

We have considered all events and transactions between the fiscal yearend of September 30, 2020 and the date this report was available to be issued, February 9, 2021, and found the following noteworthy:

- The Covid-19 pandemic has made an impact on the City of Dalhart, most notably the closure of City Hall since April 2020. Because the City has a drive-up window for business or utility bills, the negative effects have been limited. The public use of the Dalhart Coliseum has declined due to the limitations on large gatherings.

APPENDIX C

FORM OF BOND COUNSEL'S OPINION

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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.

$5,460,000
CITY OF DALHART, TEXAS
GENERAL OBLIGATION REFUNDING BONDS, SERIES 2021

AS BOND COUNSEL FOR THE CITY OF DALHART, TEXAS, (the "Issuer") in connection with the issuance of the General Obligation Refunding Bonds, Series 2021, described above (the "Bonds"), we have examined into the legality and validity of the Bonds, which bear interest from the dates and mature on the dates, and are subject to redemption, in accordance with the terms and conditions stated in the text of the Bonds. Terms used herein and not otherwise defined shall have the meaning given in the ordinance of the Issuer authorizing the issuance and sale of the Bonds (the "Ordinance").

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

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

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 or corporate alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). In expressing the aforementioned opinions, we have relied on, certain representations, the accuracy of which we have not independently verified, and assume compliance with certain covenants, regarding the use and investment of the proceeds of the Bonds and the use of the property financed therewith, and the certification by paying agent for the refunded obligations verifying the sufficiency of the amounts deposited therewith to pay the principal of and interest on the refunded obligations on their redemption date. We call your attention to the fact that if such representations are determined to be inaccurate or upon a failure by the Issuer to comply with such covenants, interest on the Bonds may become includable in gross income retroactively to the date of issuance of the Bonds.

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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.

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

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

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

Very truly yours,

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SPECIALIZED PUBLIC FINANCE INC.
FINANCIAL ADVISORY SERVICES