HTS Continuing Disclosure Services
A Division of Hilltop Securities.
(See "Continuing Disclosure of Information" herein)

OFFICIAL STATEMENT
February 1, 2021

Ratings:
S&P: "AA-"
Fitch: "AA"
See "Other Information – Ratings" herein

NEW ISSUE - Book-Entry-Only

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

THE CITY **HAS NOT** DESIGNATED THE CERTIFICATES AS "QUALIFIED TAX-EXEMPT OBLIGATIONS" FOR FINANCIAL INSTITUTIONS

$15,940,000
CITY OF DENISON, TEXAS
(Grayson County)
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021A

Dated Date: Date of Delivery **Due: February 15, as shown on page 2**
Interest to accrue from date of delivery

PAYMENT TERMS . . . Interest on the $15,940,000 City of Denison, Texas, Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2021A (the "Certificates") will accrue from the Date of Delivery, and will be payable February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption. Interest on the Certificates will be calculated on the basis of a 360-day year consisting of twelve 30-day months. The definitive Certificates will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company ("DTC") pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Certificates may be acquired in denominations of $5,000 of principal amount or integral multiples thereof. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See "The Certificates - Book-Entry-Only System" herein. The initial Paying Agent/Registrar for the Certificates is U.S. Bank National Association, Dallas, Texas (see "The Certificates - Paying Agent/Registrar").

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State of Texas (the "State" or "Texas"), particularly Texas Local Government Code, Chapter 271, Subchapter C (the Certificate of Obligation Act of 1971), as amended, and Subchapter B of Chapter 1502, Texas Government Code, as amended, and an ordinance adopted by the City Council (the "Ordinance") and constitute direct obligations of the City of Denison, Texas (the "City" or the "Issuer"), payable from a combination of (i) the levy and collection of an annual ad valorem tax, within the limits prescribed by law, and (ii) a limited pledge of surplus revenues, not to exceed $1,000 of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system. (See "The Certificates - Security and Source for Payment" herein.).

PURPOSE . . . Proceeds from the sale of the Certificates will be used for: (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land for such projects; (ii) constructing and improving streets, including sidewalks, landscaping, streetscaping, lighting, drainage, utility line relocations and the acquisition of land and rights-of-way therefor; (iii) acquiring, constructing, installing and equipping parking facilities; and (iv) legal, fiscal, design and engineering fees in connection with such projects and the Certificates.

CUSIP PREFIX: 248379
MATURITY SCHEDULE & 9 DIGIT CUSIP
See Schedule on Page 2

LEGALITY . . . The Certificates are offered for delivery when, as and if issued and received by the Initial Purchaser 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").

DELIVERY . . . It is expected that the Certificates will be available for delivery through DTC on or about March 3, 2021.

CUSIP[1] Prefix: 248379

MATURITY SCHEDULE

15-Feb Maturity	Principal Amount	Interest Rate	Yield	CUSIP Suffix[1]
2022	$ 80,000	4.000%	0.130%	ZC6
2023	200,000	4.000%	0.200%	ZD4
2024	260,000	4.000%	0.250%	ZE2
2025	600,000	4.000%	0.310%	ZF9
2026	620,000	4.000%	0.370%	ZG7
2027	650,000	4.000%	0.450%	ZH5
2028	675,000	4.000%	0.600%	ZJ1
2029	825,000	4.000%	0.750%	ZK8
2030	860,000	4.000%	0.800% [2]	ZL6
2031	895,000	4.000%	0.850% [2]	ZM4
2032	930,000	4.000%	0.900% [2]	ZN2
2033	960,000	2.000%	1.250% [2]	ZP7
2034	975,000	2.000%	1.300% [2]	ZQ5
2035	995,000	2.000%	1.350% [2]	ZR3
2036	1,015,000	2.000%	1.400% [2]	ZS1
2037	1,035,000	2.000%	1.450% [2]	ZT9
2038	1,060,000	2.000%	1.500% [2]	ZU6
2039	1,080,000	2.000%	1.550% [2]	ZV4
2040	1,105,000	2.000%	1.600% [2]	ZW2
2041	1,120,000	2.000%	1.650% [2]	ZX0

(Interest to accrue from the Date of Delivery)

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(1) CUSIP is a registered trademark of the American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Capital IQ on behalf of 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 Initial Purchaser or the Financial Advisor take any responsibility for the selection or accuracy of the CUSIP numbers set forth above.

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

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

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

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

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

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE INITIAL PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING THE DEPOSITORY TRUST COMPANY ("DTC") OR ITS BOOK-ENTRY-ONLY SYSTEM, AS SUCH INFORMATION HAS BEEN PROVIDED BY DTC.

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

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

This Official Statement contains "Forward-Looking" statements within the meaning of Section 21E of the Securities and Exchange Act of 1934, as amended. Such statements may involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance and achievements to be different from the future results, performance and achievements expressed or implied by such forward-looking statements. Investors are cautioned that the actual results could differ materially from those set forth in the forward-looking statements.

TABLE OF CONTENTS

OFFICIAL STATEMENT SUMMARY 4

CITY OFFICIALS, STAFF AND CONSULTANTS 6
- Elected Officials 6
- Selected Administrative Staff 6
- Consultants, Advisors and Independent Auditors 6

INTRODUCTION 7

THE CERTIFICATES 8

TAX INFORMATION 14
- Table 1 - Valuation, Exemptions and General Obligation Debt 19
- Table 2 - Taxable Assessed Valuations by Category .. 20
- Table 3 - Valuation and General Obligation Debt History 21
- Table 4 - Tax Rate, Levy and Collection History 21
- Table 5 - Ten Largest Taxpayers 22
- Table 6 - Tax Adequacy 22
- Table 7 - Estimated Overlapping Debt 23

DEBT INFORMATION 24
- Table 8 - General Obligation Debt Service Requirements 24
- Table 9 - Interest and Sinking Fund Budget Projection25
- Table 10 - Authorized But Unissued General Obligation Bonds 25
- Table 11 – Other Obligations 25

FINANCIAL INFORMATION 34
- Table 12 - Schedule of General Fund Revenues and Expenditure History 34
- Table 12A – Schedule of Changes in Net Assets 35
- Table 13 - Municipal Sales Tax History 35
- Table 14 - Current Investments 38

WATERWORKS AND SEWER SYSTEM 38
- Table 15 - Ten Largest Water Customers 38
- Table 16 - Water Rates 38
- Table 17 - Sewer Rates 39
- Table 18 - Condensed Statement of System Earnings and Coverage 39

TAX MATTERS 40

CONTINUING DISCLOSURE OF INFORMATION 42

OTHER INFORMATION 43
- Ratings 43
- Litigation 43
- Registration and Qualification of Certificatesfor Sale 43
- Legal Investments and Eligibility to Secure Public Funds in Texas 43
- Legal Matters 44
- Financial Advisor 44
- Initial Purchaser 44
- Forward-Looking Statements Disclaimer 44
- Miscellaneous 45

APPENDICES
- General Information Regarding the City ..... A
- Excerpts From the City of Denison, Texas Annual Financial Report ..... B
- Forms of Bond Counsel's Opinions C

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

OFFICIAL STATEMENT SUMMARY

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

THE CITY	The City of Denison is a political subdivision and municipal corporation of the State, located in Grayson County, Texas. The City covers approximately 23 square miles (see "Introduction - Description of the City").
THE CERTIFICATES	The $15,940,000 City of Denison, Texas Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2021A (the "Certificates"), are issued as serial certificates maturing February 15, 2022 through February 15, 2041 (see "The Certificates – Description of the Certificates").
PAYMENT OF INTEREST	Interest on the Certificates accrues from the Date of Delivery, and is payable February 15, 2022, and each August 15 and February 15 thereafter until maturity or prior redemption (see "The Certificates - Description of the Certificates" and "The Certificates - Optional Redemption").
AUTHORITY FOR ISSUANCE	The Certificates are issued pursuant to the general laws of the State, particularly, Texas Local Government Code, Chapter 271, subchapter C (the Certificate of Obligation Act of 1971), as amended, Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Ordinance adopted by the City Council of the City (see "The Certificates - Authority for Issuance of the Certificates").
SECURITY FOR THE CERTIFICATES	The Certificates constitute direct obligations of the City, payable from the levy and collection of a direct and continuing annual ad valorem tax, within the limits prescribed by law, on all taxable property located within the City, as provided in the Ordinance authorizing the Certificates. The Certificates are additionally secured by a limited pledge of surplus revenues, not to exceed $1,000, of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system. (See "Tax Information - Effective Tax Rate and Rollback Tax Rate," "The Certificates - Security and Source of Payment," and "The Certificates - Tax Rate Limitation" herein.).
QUALIFIED TAX-EXEMPT OBLIGATIONS	The City has not designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions (see "Tax Matters").
REDEMPTION	The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030 in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption (see "The Certificates – Optional Redemption").
TAX EXEMPTION	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income for federal income tax purposes under statutes, regulations, published rulings and court decisions existing on the date thereof, subject to the matters described under the caption "Tax Matters" herein.
USE OF PROCEEDS	Proceeds from the sale of the Certificates will be used for: (i) constructing, installing, acquiring and equipping additions, extensions and improvements to the City's waterworks and sewer system, and the acquisition of land and interests in land for such projects; (ii) constructing and improving streets, including sidewalks, landscaping, streetscaping, lighting, drainage, utility line relocations and the acquisition of land and rights-of-way therefor; (iii) acquiring, constructing, installing and equipping parking facilities; and (iv) legal, fiscal, design and engineering fees in connection with such projects and the Certificates.
RATINGS	The Certificates and the presently outstanding tax supported debt of the City are rated "AA-" by S&P Global Ratings, a Standard and Poor's Financial Services LLC business ("S&P") and "AA" by Fitch Ratings ("Fitch"), without regard to credit enhancement (see "Other Information - Ratings").

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

PAYMENT RECORD .... The City has never defaulted in payment of its bonded indebtedness.

SELECTED FINANCIAL INFORMATION

Fiscal year Ended 9/30	Estimated City Population[(1)]	Taxable assessed Valuation [(2)]	Per Capita Taxable Assessed Valuation	General Obligation (G.O.) Tax Debt[(3)]	Per Capita G.O. Tax Debt	Ratio G.O. Tax Debt to Taxable Assessed Valuation	% of Total Tax Collections
2017	23,500	$ 1,326,252,777	$ 56,436	$ 44,505,000	$ 1,894	3.36%	98.35%
2018	23,654	1,429,629,625	60,439	49,400,000	2,088	3.46%	98.37%
2019	24,380	1,573,709,069	64,549	45,635,000	1,872	2.90%	98.21%
2020	25,340	1,755,939,911	69,295	59,425,000	2,345	3.38%	95.95% [(5)]
2021	25,830	1,908,512,347	73,887	70,595,000 [(4)]	2,733 [(4)]	3.70% [(4)]	N/A

(1) Source: City officials.
(2) As reported by the Grayson County Appraisal District on the City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt.
(4) Projected, includes the Certificates.
(5) Unaudited.

GENERAL FUND CONSOLIDATED STATEMENT SUMMARY

	Fiscal Year Ended September 30,				
	2020[(1)]	2019	2018	2017	2016
Beginning Balance	$ 6,966,067	$ 7,698,040 [(2)]	$ 8,002,984 [(2)]	$ 7,562,664 [(2)]	$ 8,035,224
Total Revenue	27,072,116	25,886,031	24,784,053	24,107,320	22,651,870
Total Expenditures	28,858,428	29,755,378	26,314,941	25,395,877	24,314,345
Total Other Sources (Uses)	1,413,390	3,137,374	1,553,988	1,664,564	1,124,023
Net Funds Available	(372,922)	(731,973)	23,100	376,007	(538,452)
Ending Balance	$ 6,593,145	$ 6,966,067	$ 8,026,084	$ 7,938,671	$ 7,496,772

(1) Unaudited.
(2) Restated.

For additional information regarding the City, please contact:

Ms. Renee Waggoner		Mr. W. Boyd London, Jr.
Director of Finance		Ms. Marti Shew
City of Denison	or	Hilltop Securities Inc.
300 West Main		1201 Elm Street, Suite 3500
Denison, Texas 75020		Dallas, Texas 75270
(903) 464-4444		(214) 953-4000

CITY OFFICIALS, STAFF AND CONSULTANTS

ELECTED OFFICIALS

City Council	Length of Service	Term Expires	Occupation
Janet Gott Mayor, Place 7	2 Year	May, 2021	Retired
Teresa Adams Place 1	2 Year	May, 2021	Investment Advisor
Obie Greenleaf Place 2	2 Year	May, 2021	Retired
J.C. Doty Mayor Pro Tem/Place 3	3 Years	May, 2023	Retired
Robert Crawley Place 4	1 Year	May, 2022	Bank President
Kris Spiegel Place 5	3 Years	May, 2023	Insurance
Brian Hander Place 6	1 year	May, 2022	Pharmacist

SELECTED ADMINISTRATIVE STAFF

Name	Position	Length of Service to City
Bobby Atteberry	Interim City Manager	4 years
Christine Wallentine	City Clerk/Court Administrator	5 years
Renee' Waggoner	Executive Director of Finance & Adminis	18 Years
Messer, Rockefeller, & Fort, PLLC Julie Fort, Attorney, PLLC (Primary Counsel)	City Attorney	4 years

CONSULTANTS, ADVISORS AND INDEPENDENT AUDITORS

Independent Auditors .... BrooksWatson & Co., PLLC–CPA's
The Woodlands, Texas

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

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

OFFICIAL STATEMENT

RELATING TO

$15,940,000
CITY OF DENISON, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021A

INTRODUCTION

This Official Statement, which includes the Appendices hereto, provides certain information regarding the issuance by the City of Denison, Texas, (the "City") of its $15,940,000 Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2021A (the "Certificates"). Capitalized terms used in this Official Statement have the same meanings assigned to such terms in the ordinance (the "Ordinance"), adopted on the date of sale of the Certificates and which authorized the issuance of the Certificates, except as otherwise indicated herein.

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

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 "Charter" or "City Charter"). The City was incorporated and first the Charter in 1956 and last amended the Charter in 1984. The City operates under a Council/Manager form of government with a City Council comprised of the Mayor and six Councilmembers. The term of office is three year staggered terms. The City Manager is the chief administrative officer for the City. Some of the services that the City provides are: public safety (police and fire protection), highways and streets, water and sanitary sewer utilities, culture-recreation, public improvements, planning and zoning, and general administrative services. The 2010 Census population for the City was 22,682, while the estimated 2021 population is 25,830. The City covers approximately 23 square miles. For more information about the City, see "Appendix A - General Information Regarding the City".

INFECTIOUS DISEASE OUTBREAK – COVID-19

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

On March 13, 2020, the Governor of Texas (the "Governor") declared a state of disaster for all counties in Texas in response to the Pandemic. Pursuant to Chapter 418 of the Texas Government Code, the Governor has broad authority to respond to disasters, including suspending any regulatory statute prescribing the procedures for conducting state business or any order or rule of a state agency that would in any way prevent, hinder, or delay necessary action in coping with the disaster, and issuing executive orders that have the force and effect of law. These include, for example, the issuance on April 27, 2020 of Executive Order GA-18, which order remained in effect until May 15, 2020, subject to extension based on the status of COVID-19 in Texas and the recommendations of the Governor's Strike Force to Open Texas, the White House Coronavirus Task Force, and the CDC. Executive Order GA-18, among other things, addressed limitations on social gatherings and in-person contact except where necessary to provide or obtain essential services or reopened services (including certain retail services) as such services are defined in state and federal guidance and future executive orders or proclamations of the Governor. Executive Order GA-18 expands the scope of reopened services beginning on May 1, 2020, but subject to future restrictions in the Governor's sole discretion based on factors such as an increase in the transmission of COVID-19 or in the amount of COVID-19-related hospitalizations or fatalities. Executive Order GA-18 temporarily closed public and private schools throughout the state to in-person classroom attendance through the end of the 2019-2020 school year.

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

The Pandemic has negatively affected travel, commerce, and financial markets globally, and is widely expected to continue negatively affecting economic growth and financial markets worldwide. These negative impacts may reduce or negatively affect property values and/or the collection of sales tax revenues within the City. See “Table 4 - Tax Rate, Levy and Collection History” and “Table 14 – Municipal Sales Tax History.” The Certificates are secured by an ad valorem tax (within the limits prescribed by law), and a reduction in property values may require an increase in the ad valorem tax rate required to pay the Certificates as well as the City’s operations and maintenance expenses. See “Tax Information – Public Hearing and Maintenance and Operations Tax Rate Limitations.” Additionally, the City collects a sales and use tax on all taxable transactions within the City’s boundaries. A reduction in the collection of sales tax revenues may negatively impact the City’s operating budget and overall financial condition. See “Table 14 – Municipal Sales Tax History.”

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

THE CERTIFICATES

DESCRIPTION OF THE CERTIFICATES . . . The Certificates are dated as of the delivery date, and mature on February 15 in each of the years and in the amounts shown on page 2. Interest on the Certificates will accrue from the date of delivery and will be computed on the basis of a 360-day year of twelve 30-day months, and will be payable on February 15, 2022, and on each August 15 and February 15 thereafter until maturity or prior redemption The definitive Certificates will be issued only in fully registered form in any integral multiple of $5,000 of principal amount for any one maturity and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company, New York, New York (“DTC”) pursuant to the Book-Entry-Only System described herein. **No physical delivery of the Certificates will be made to the beneficial owners thereof.** Principal of, premium, if any, and interest on the Certificates will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Certificates. See “The Certificates - Book-Entry-Only System” herein.

AUTHORITY FOR ISSUANCE . . . The Certificates are issued pursuant to the Constitution and general laws of the State, particularly, Texas Local Government Code, Chapter 271, Subchapter C (the Certificate of Obligation Act of 1971), as amended, and Subchapter B of Chapter 1502, Texas Government Code, as amended, and the Ordinance.

SECURITY AND SOURCE OF PAYMENT . . . The Certificates constitute direct obligations of the City payable from an annual direct and continuing ad valorem tax levied against all taxable property within the City, within the limits prescribed by law (see "The Certificates - Tax Rate Limitation" below). The Certificates are additionally secured by a limited pledge of surplus revenues, not to exceed $1,000, of the City's waterworks and sewer system, remaining after payment of all operation and maintenance expenses thereof, and all debt service, reserve, and other requirements in connection with all of the City's revenue bonds or other obligations (now or hereafter outstanding), which are payable from all or any part of the net revenues of the City's waterworks and sewer system.

TAX RATE LIMITATION . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 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. The City Charter 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.

OPTIONAL REDEMPTION . . . The City reserves the right, at its option, to redeem Certificates having stated maturities on and after February 15, 2030, in whole or in part in principal amounts of $5,000 or any integral multiple thereof, on February 15, 2029, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. If less than all of the Certificates are to be redeemed, the City may select the maturities of Certificates to be redeemed. If less than all the Certificates of any maturity are to be redeemed, the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) shall determine by lot the Certificates, or portions thereof, within such maturity to be redeemed. If a Certificate (or any portion of the principal sum thereof) shall have been called for redemption and notice of such redemption shall have been given, such Certificate (or the principal amount thereof to be redeemed) shall become due and payable on such redemption date and interest thereon shall cease to accrue from and after the redemption date, provided funds for the payment of the redemption price and accrued interest thereon are held by the Paying Agent/Registrar on the redemption date.

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

NOTICE OF REDEMPTION . . . At least 30 days prior to a redemption date for the Certificates, the City shall cause a written notice of such redemption to be deposited in the United States mail, first-class postage prepaid, addressed to each such registered owner at his address shown on the Registration Books (hereinafter defined) of the Paying Agent/Registrar provided however, that the failure to send, mail, or receive such notice described above, or any defect therein or in the sending or mailing thereof, shall not affect the validity or effectiveness of the proceedings for the redemption of any Certificate. NOTICE HAVING BEEN SO GIVEN AND ALL OTHER CONDITIONS TO REDEMPTION HAVING BEEN SATISFIED, THE CERTIFICATES CALLED FOR REDEMPTION SHALL BECOME DUE AND PAYABLE ON THE SPECIFIED REDEMPTION DATE, AND NOTWITHSTANDING THAT ANY CERTIFICATE OR PORTION THEREOF HAS NOT BEEN SURRENDERED FOR PAYMENT, INTEREST ON SUCH CERTIFICATE OR PORTION THEREOF SHALL CEASE TO ACCRUE.

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

DEFEASANCE . . . The Ordinance provides for the defeasance of the Certificates when the payment of the principal of and premium, if any, on the Certificates, plus interest thereon to the due date thereof (whether such due date be by reason of maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, in trust (1) money sufficient to make such payment or (2) Defeasance Securities, certified by an independent public accounting firm of national reputation to mature as to principal and interest in such amounts and at such times to insure the availability, without reinvestment, of sufficient money to make such payment, and all necessary and proper fees, compensation and expenses of the paying agent for the Certificates being defeased, and thereafter the City will have no further responsibility with respect to amounts available to such paying agent (or other financial institution permitted by applicable law) for the payment of such defeased Certificates, including any insufficiency therein caused by the failure of such paying agent (or other financial institution permitted by applicable law) to receive payment when due on the Defeasance Securities. The Ordinance provides that "Defeasance Securities" means any securities and obligations now or hereafter authorized by State law that are eligible to discharge securities as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that 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 are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent. The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Defeasance Securities for the Defeasance Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. The City has reserved the option, however, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date, which have been defeased to their maturity date, if the City: (i) in the proceedings providing for the firm banking and financial arrangements, expressly reserves the right to call the Certificates for redemption; (ii) gives notice of the reservation of that right to the owners of the Certificates immediately following the making of the firm banking and financial arrangements; and (iii) directs that notice of the reservation be included in any redemption notices that it authorizes.

There is no assurance that the current law will not be changed in a manner which would permit investments other than those described above to be made with amounts deposited to defease the Certificates. Because the Ordinance does not contractually limit such investments, registered owners may 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 Escrowed Securities or those for any other Escrowed Security will be maintained at any particular rating category.

Book-Entry-Only System . . . *This section describes how ownership of the Certificates is to be transferred and how the principal of, premium, if any, and interest on the Certificates are to be paid to and credited by The Depository Trust Company ("DTC"), New York, New York, while the Certificates are registered in its nominee 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 Certificates, or redemption or other notices, to DTC Participants, (2) DTC Participants or others will distribute debt service payments paid to DTC or its nominee (as the registered owner of the Certificates), or redemption or other notices, to the Beneficial Owners, or that they will do so on a timely basis, or (3) DTC will serve and act in the manner described in this Official Statement. The current rules applicable to DTC are on file with the Securities and Exchange Commission, and the current procedures of DTC to be followed in dealing with DTC Participants are on file with DTC.

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

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing City ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing City and Fixed Income Clearing City, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing companies that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings 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 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the Certificates on DTC's records. The ownership interest of each actual purchaser of each Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Certificates, except in the event that use of the book-entry system for the Certificates is discontinued.

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

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

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

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

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

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

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

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

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

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

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

REPLACEMENT CERTIFICATES . . . If any outstanding Certificate is mutilated, destroyed, stolen or lost, a new Certificate in the same principal amount as the Certificate so mutilated, destroyed, damaged, stolen or lost will be issued. In the case of a mutilated Certificate, such new Certificate will be delivered only upon surrender and cancellation of such mutilated or damaged Certificate. In the case of any Certificate issued in lieu of and substitution for an Certificate which has been destroyed, stolen or lost, such new Certificate will be delivered only (a) upon filing with the City and the Paying Agent/Registrar a certificate to the effect that such Certificate has been destroyed, stolen or lost and proof of the ownership thereof, and (b) upon furnishing the City and the Paying Agent/Registrar with indemnity satisfactory to them. The person requesting the authentication and delivery of a new Certificate must pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

RECORD DATE FOR INTEREST PAYMENT . . . The record date ("Record Date") for the interest payable on the Certificates on any interest payment date means the close of business on the last business day of the preceding month.

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

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

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

REMEDIES . . . The Ordinance establishes specific events of default with respect to the Certificates. If the City defaults in the payment of the principal of or interest on the Certificates 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 of the Certificates, 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 Certificates 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 Certificates in the event of default and, consequently, the remedy of mandamus may have to be relied upon from year to year. The Ordinance does not provide for the appointment of a trustee to represent the interest of the holders of the Certificates upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners.

On April 1, 2016, the Texas Supreme Court ruled in *Wasson Interests, Ltd. v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) that sovereign immunity does not imbue a city with derivative immunity when it performs proprietary, as opposed to governmental, functions in respect to contracts executed by a city. Texas jurisprudence has generally held that proprietary functions are those conducted by a city in its private capacity, for the benefit only of those within its corporate limits, and not as an arm of the government or under the authority or for the benefit of the state. If sovereign immunity is determined by a court to exist, then the Texas Supreme Court ruled in *Tooke v. City of Mexia* (197 S.W.3rd 325 (Tex. 2006), that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in a 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 Certificates may not be able to bring such a suit against the City for breach of the covenants in the Certificates 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 Certificates.

Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors, holders of the Certificates 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 opinions of Bond Counsel will note that all opinions relative to the enforceability of the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and by general principles of equity which permit the exercise of judicial discretion.

See "Book-Entry-Only System" herein for a description of the duties of DTC with regard to ownership of the Certificates. Initially, the only registered owner of the Certificates will be DTC.

SOURCES AND USES OF CERTIFICATE PROCEEDS . . . Proceeds from the sale of the Certificates are expected to be expended as follows:

SOURCES OF FUNDS		
Par Amount	$	15,940,000.00
Cash Premium		1,770,138.50
TOTAL SOURCES	$	17,710,138.50
USES OF FUNDS		
Deposit to Construction Fund	$	17,500,000.00
Underwriter's Discount		73,304.87
Costs of Issuance		136,833.63
TOTAL USES	$	17,710,138.50

(Remainder of intentionally left blank)

TAX INFORMATION

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

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

State law requires the appraised value of an owner's principal residence ("homestead" or "homesteads") to be based solely on the property's value as a homestead, regardless of whether residential use is considered to be the highest and best use of the property. State law further limits the appraised value of a homestead to the lesser of (1) the market value of the property or (2) 110% of the appraised value of the property for the preceding tax year plus the market value of all new improvements to the property.

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

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

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

LOCAL OPTION HOMESTEAD EXEMPTIONS . . . The governing body of a taxing unit, including a city, county, school district, or special district, at its option may grant: (1) an exemption of up to 20% of the appraised value of all homesteads (but not less than $5,000) and (2) an additional exemption of at least $3,000 of the appraised value of the homesteads of persons sixty-five (65) years of age or older and the disabled. Each taxing unit decides if it will offer the local option homestead exemptions and at what percentage or dollar amount, as applicable. The exemption described in (2), above, may be created, increased, decreased or repealed at an election called by the governing body of a taxing unit upon presentment of a petition for such creation, increase, decrease, or repeal of at least 20% of the number of qualified voters who voted in the preceding election of the taxing unit.

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

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

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

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

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

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

TAX INCREMENT REINVESTMENT ZONES . . . A city or county, by petition of the landowners or by action of its governing body, may create one or more tax increment reinvestment zones ("TIRZ") within its boundaries. At the time of the creation of the TIRZ, a "base value" for the real property in the TIRZ is established and the difference between any increase in the assessed valuation of taxable real property in the TIRZ in excess of the base value is known as the "tax increment". During the existence of the TIRZ, all or a portion of the taxes levied against the tax increment by a city or county, and all other overlapping taxing units that elected to participate, are restricted to paying only planned project and financing costs within the TIRZ and are not available for the payment of other obligations of such taxing units.

TAX ABATEMENT AGREEMENTS . . . Taxing units may also enter into tax abatement agreements to encourage economic development. Under the agreements, a property owner agrees to construct certain improvements on its property. The taxing unit, in turn, agrees not to levy a tax on all or part of the increased value attributable to the improvements until the expiration of the agreement. The abatement agreement could last for a period of up to 10 years.

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

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

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

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

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

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

> "adjusted" means lost values are not included in the calculation of the prior year's taxes and new values are not included in the current year's taxable values.
>
> "de minimis rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted), plus the rate that produces an additional $500,000 in tax revenue when applied to the current year's taxable value, plus the debt service tax rate.
>
> "no-new-revenue tax rate" means the combined maintenance and operations tax rate and debt service tax rate that will produce the prior year's total tax levy (adjusted) from the current year's total taxable values (adjusted).
>
> "special taxing unit" means a city for which the maintenance and operations tax rate proposed for the current tax year is 2.5 cents or less per $100 of taxable value.
>
> "unused increment rate" means the cumulative difference between a city's voter-approval tax rate and its actual tax rate for each of the tax years 2020 through 2022, which may be applied to a city's tax rate in tax years 2021 through 2023 without impacting the voter-approval tax rate.
>
> "voter-approval tax rate" means the maintenance and operations tax rate that will produce the prior year's total maintenance and operations tax levy (adjusted) from the current year's values (adjusted) multiplied by 1.035, plus the debt service tax rate, plus the "unused increment rate."

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

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

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

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

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

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

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

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

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

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

DEBT TAX RATE LIMITATIONS . . . All taxable property within the City is subject to the assessment, levy and collection by the City of a continuing, direct annual ad valorem tax sufficient to provide for the payment of principal of and interest on all ad valorem tax debt within the limits prescribed by law. Article XI, Section 5, of the Texas Constitution is applicable to the City, and limits its maximum ad valorem tax rate to $2.50 per $100 Taxable Assessed Valuation. 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.

THE CITY'S RIGHTS IN THE EVENT OF TAX DELINQUENCIES . . . Taxes levied by the City are a personal obligation of the owner of the property. On January 1 of each year, a tax lien attaches to property to secure the payment of all state and local taxes, penalties, and interest ultimately imposed for the year on the property. The lien exists in favor of each taxing unit, including the City, having power to tax the property. The City's tax lien is on a parity with tax liens of such other taxing units. A tax lien on real property takes priority over the claim of most creditors and other holders of liens on the property encumbered by the tax lien, whether or not the debt or lien existed before the attachment of the tax lien; however, whether a lien of the United States is on a parity with or takes priority over a tax lien of the City is determined by applicable federal law. Personal property, under certain circumstances, is subject to seizure and sale for the payment of delinquent taxes, penalty, and interest.

At any time after taxes on property become delinquent, the City may file suit to foreclose the lien securing payment of the tax, to enforce personal liability for the tax, or both. In filing a suit to foreclose a tax lien on real property, the City must join other taxing units that have claims for delinquent taxes against all or part of the same property.

Collection of delinquent taxes may be adversely affected by the amount of taxes owed to other taxing units, adverse market conditions, taxpayer redemption rights, or bankruptcy proceedings which restrain the collection of a taxpayer's debt.

Federal bankruptcy law provides that an automatic stay of actions by creditors and other entities, including governmental units, goes into effect with the filing of any petition in bankruptcy. The automatic stay prevents governmental units from foreclosing on property and prevents liens for post-petition taxes from attaching to property and obtaining secured creditor status unless, in either case, an order lifting the stay is obtained from the bankruptcy court. In many cases, post-petition taxes are paid as an administrative expense of the estate in bankruptcy or by order of the bankruptcy court.

CITY APPLICATION OF TAX CODE . . . The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of $15,000; the disabled are also granted an exemption of $15,000. The City has established a freeze on the taxes on residence homesteads of persons 65 years of age and older or who are disabled, as may be done on a local option basis.

The City does not grant an additional exemption of residence homesteads.

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

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 County collects taxes for the City.

The City does not permit split payments, but discounts are allowed. As per state statute people over 65 years old and disabled persons can split payments.

The City does not tax Freeport property.

The City does tax goods in transit.

The City does collect an additional one-half cent sales tax for the benefit of the Denison Economic Development Corporation.

The City has adopted a tax abatement policy.

TAX ABATEMENT POLICY . . . The City has established a tax abatement program to encourage economic development. In order to be considered for tax abatement, a project must meet several criteria pertaining to job creation and property value enhancement. The maximum eligibility is 100% for ten years.

The City currently has tax abatements in place as detailed below:

Ruiz Foods – Year 2015- 2021 50% abatement on personal property.

Heyday Entertainment, LLC – Abatement established for up to 10 years from 2019-2028 for City sales tax and City property tax at 100% with a maximum cumulative limit up to $750,000.

Outdoor Powersports Sherman, LLC – Abatement established for sales tax rebate up to $300,000 or 3 years. Abatement qualification begins on certificate of occupancy issuance date.

Victron Stores, L.P. – Abatement of 100% of property tax up to $140,000 for years 2020-2029.

The City also has abatements with various developers for improvements to single family detached structures which allows for up to three years of abatement at 100% for City property taxes, or up to 10x the amount of increased City property tax assessed and paid.

TAX INCREMENT REINVESTMENT ZONE AND DEVELOPMENT PROJECT . . . The City has entered into a development agreement relating to approximately 727 acres (the "Property"), located at the HWY 691 and Hwy 75 corridor for development of the Property for residential, commercial and recreational purposes. The City's corporate limits currently encompass approximately 16,000 acres. The City has annexed the Property into its corporate limits. The City has created a tax increment reinvestment zone (the "Zone") over the property. The City has agreed to contribute to the Zone 40% of the maintenance and operations portion of the City's annual ad valorem tax collections on the captured appraised value (the difference between the taxable value as of January 1 of the year in which the Zone was created and the total taxable appraised value each year) of real property within the Zone. The 40% participation was based on the City's estimate of the maintenance and operations tax revenues on the Property that would be available after providing for the cost of providing municipal services to the Property. The Zone revenues will be used to reimburse the developer of the property for costs related to the construction and installation of public infrastructure improvements. The City has not agreed to and currently does not plan to issue debt to fund costs related to the project.

The City has also entered into a development agreement relating to approximately 3,916 acres (the "Property"), located in the City's extraterritorial jurisdiction between the City's existing corporate limits and Lake Texoma, for development of the Property for residential, commercial and recreational purposes. The City's corporate limits currently encompass approximately 16,000 acres. The City has annexed the Property into its corporate limits. The City has created a tax increment reinvestment zone (the "Zone") over the property. The City has agreed to contribute to the Zone 32% of the maintenance and operations portion of the City's annual ad valorem tax collections on the captured appraised value (the difference between the taxable value as of January 1 of the year in which the Zone was created and the total taxable appraised value each year) of real property within the Zone. The 32% participation was based on the City's estimate of the maintenance and operations tax revenues on the Property that would be available after providing for the cost of providing municipal services to the Property. The Zone revenues will be used to reimburse the developer of the property for costs related to the construction and installation of public infrastructure improvements. The City has not agreed to and currently does not plan to issue debt to fund costs related to the project.

The City has also entered into a development agreement relating to approximately 945 acres (the "Property"), located in City's corporate limits, that includes about 1,600 parcels of land in and around Downtown Denison generally located south of Dove Lane and Parnell Street, north of Texas Street, east of Highway 75 and West of 5th Avenue for development or redevelopment by financing the costs of public works, public improvements, programs and other projects benefiting the zone. As of November 2016, the total taxable value of the area was approximately $78.7 million. In the five tax years from 2011 to 2015, the value decreased 2 percent, indicating the area was in decline and in need of public investment. The Property is primarily commercial or undeveloped land with 30% or less of the Property currently used as residential. The City of Denison will capture 75 percent of tax revenue from the increment and place within the TIRZ fund. In addition, Grayson County will also capture 75 percent of their tax revenue from the increment in the TIRZ area and place within the TIRZ fund.

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TABLE 1 - VALUATION, EXEMPTIONS AND GENERAL OBLIGATION DEBT

2020/21 Market Valuation Established by Grayson County Appraisal District (excluding totally exempt property)		$ 2,124,076,609
Less Exemptions/Reductions at 100% Market Value:		
Local Over-65 Exemption Loss	$ 32,989,497	
Disabled Persons Exemption	5,925,914	
Disabled Veterans	21,137,420	
Pollution Control	315,246	
Abatements	13,480,985	
10% Homestead Cap Loss	33,448,990	
Agricultural Use Reductions	26,988,427	
Freeport Property	81,013,377	
Other Exemptions	264,406	$ 215,564,262
2020/21 Net Taxable Assessed Valuation		$ 1,908,512,347
General Obligation Debt Payable from Ad Valorem Taxes (as of 12/1/20)		
General Obligation Debt	$ 59,425,000	
The Certificates	15,940,000	
City Funded Debt Payable From Ad Valorem Taxes		$ 75,365,000
Less: Self Supporting Debt(1)		49,211,724
Total Net General Obligation Debt Payable from Ad Valorem Taxes		$ 26,153,276
General Obligation Interest and Sinking Fund as of (as of 11/1/2020)		$ 966,356
Ratio Net General Obligation Tax Debt to Taxable Assessed Valuation		1.37%

2021 Estimated Population - 25,830
Per Capita Taxable Assessed Valuation - $73,887
Per Capita Net General Obligation Debt Payable from Ad Valorem Taxes - $1,013

(1) Includes a portion of the Certificates. The City currently makes payments on the amount of debt identified as self-supporting from surplus revenues of the City's waterworks and sewer system. It is the City's current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. In addition, the City has entered into an agreement with a private party pursuant to which the City will receive annual payments of $700,000 a year for ten years to pay a portion of the cost of the sports complex funded with proceeds of the City's previously issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016B (the "Series 2016B Certificates"). The City expects to apply such payments to the debt service on the Series 2016B Certificates. To the extent such payments may not be available in the future or the City otherwise applies such payments to the sports complex, the City will be required to assess an ad valorem tax sufficient to pay debt service on the Series 2016B Certificates.

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TABLE 2 - TAXABLE ASSESSED VALUATIONS BY CATEGORY

	Taxable Appraised Value for Fiscal Year Ended September 30,					
	2021		2020		2019	
Category	Amount	% of Total	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 1,052,188,082	49.54%	$ 991,096,131	49.59%	$ 864,315,226	48.74%
Real, Residential, Multi-Family	51,996,980	2.45%	47,629,635	2.38%	40,188,925	2.27%
Real, Vacant Lots/Tracts	44,782,236	2.11%	43,440,787	2.17%	37,310,013	2.10%
Real, Acreage (Land Only)	27,373,340	1.29%	28,809,461	1.44%	22,865,221	1.29%
Real, Farm and Ranch Improvements	17,127,287	0.81%	15,726,129	0.79%	13,383,241	0.75%
Real, Commercial	518,192,171	24.40%	463,682,675	23.20%	425,900,291	24.02%
Real, Industrial & Mineral	51,407,456	2.42%	52,158,218	2.61%	48,033,664	2.71%
Real, Oil and Gas	390,079	0.02%	-	0.00%	-	0.00%
Real and Tangible Personal, Utilities	49,712,886	2.34%	43,871,225	2.19%	42,505,741	2.40%
Tangible Personal, Commercial	122,867,221	5.78%	118,580,027	5.93%	108,174,038	6.10%
Tangible Personal, Industrial	166,464,879	7.84%	175,380,263	8.77%	158,207,243	8.92%
Special Inventory	11,003,579	0.52%	7,555,120	0.38%	9,494,080	0.54%
Real Inventory	10,153,500	0.48%	10,368,196	0.52%	2,473,083	0.14%
Tangible Personal, Mobile Homes	416,913	0.02%	410,071	0.02%	449,928	0.03%
Total Appraised Value Before Exemptions	$ 2,124,076,609	100.00%	$ 1,998,707,938	100.00%	$ 1,773,300,694	100.00%
Less: Total Exemptions/Reductions	215,564,262		242,768,027		199,591,625	
Taxable Assessed Value	$ 1,908,512,347		$ 1,755,939,911		$ 1,573,709,069	

	Taxable Appraised Value for Fiscal Year Ended September 30,			
	2018		2017	
Category	Amount	% of Total	Amount	% of Total
Real, Residential, Single-Family	$ 742,179,116	46.51%	$ 673,393,760	44.88%
Real, Residential, Multi-Family	35,344,836	2.21%	30,576,020	2.04%
Real, Vacant Lots/Tracts	33,165,813	2.08%	33,787,863	2.25%
Real, Acreage (Land Only)	22,239,805	1.39%	21,210,941	1.41%
Real, Farm and Ranch Improvements	12,335,194	0.77%	10,406,765	0.69%
Real, Commercial	381,817,579	23.93%	353,777,915	23.58%
Real, Industrial	51,611,043	3.23%	53,793,861	3.59%
Real and Tangible Personal, Utilities	39,099,693	2.45%	48,965,693	3.26%
Tangible Personal, Commercial	99,966,693	6.26%	98,977,449	6.60%
Tangible Personal, Industrial	163,816,357	10.27%	167,041,409	11.13%
Special Inventory	8,850,318	0.55%	6,423,005	0.43%
Real Inventory	4,834,381	0.30%	1,488,297	0.10%
Tangible Personal, Mobile Homes & Other	452,794	0.03%	429,433	0.03%
Total Appraised Value Before Exemptions	$ 1,595,713,622	100.00%	$ 1,500,272,411	100.00%
Less: Total Exemptions/Reductions	166,083,997		174,019,634	
Taxable Assessed Value	$ 1,429,629,625		$ 1,326,252,777	

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

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TABLE 3 - VALUATION AND GENERAL OBLIGATION DEBT HISTORY

Fiscal Year Ended 9/30	Estimated Population[(1)]	Taxable Assessed Valuation[(2)]	Taxable Assessed Valuation Per Capita	G.O. Tax Debt Outstanding at End of Year[(3)]	Ratio of G.O. Tax Debt to Taxable Assessed Valuation	G.O. Tax Debt Per Capita
2017	23,500	$ 1,326,252,777	$ 56,436	$ 44,505,000	3.36%	$ 1,894
2018	23,654	1,429,629,625	60,439	49,400,000	3.46%	2,088
2019	24,380	1,573,709,069	64,549	45,635,000	2.90%	1,872
2020	25,340	1,755,939,911	69,295	59,425,000	3.38%	2,345
2021	25,830	1,908,512,347	73,887	70,595,000 (4)	3.70% (4)	2,733 (4)

(1) Source: City Officials.
(2) As reported by the Grayson County Appraisal District on City's annual State Property Tax Reports; subject to change during the ensuing year.
(3) Includes self-supporting debt. The City currently makes payments on the amount of debt identified as self-supporting from surplus revenues of the City's waterworks and sewer system. It is the City's current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. In addition, the City has entered into an agreement with a private party pursuant to which the City will receive annual payments of $700,000 a year for ten years to pay a portion of the cost of the sports complex funded with proceeds of the City's previously issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016B (the "Series 2016B Certificates"). The City expects to apply such payments to the debt service on the Series 2016B Certificates. To the extent such payments may not be available in the future or the City otherwise applies such payments to the sports complex, the City will be required to assess an ad valorem tax sufficient to pay debt service on the Series 2016B Certificates.
(4) Projected. Includes the Certificates.

TABLE 4 - TAX RATE, LEVY AND COLLECTION HISTORY

Fiscal Year Ended 9/30	Tax Rate	General Fund	Interest and Sinking Fund	Tax Levy	% Current Collections	% Total Collections
2017	$ 0.64340	$ 0.57850	$ 0.06490	$ 8,309,353	98.26%	98.35%
2018	0.63338	0.53079	0.10259	8,688,391	98.37%	98.37%
2019	0.63338	0.52144	0.11194	9,520,568	98.21%	98.21%
2020	0.65203	0.55690	0.09513	10,811,380	95.95% (1)	95.95% (1)
2021	0.65203	0.55690	0.09513	11,776,657 (2)	In process of collection	

(1) Calculated.
(2) Collections as of May 31, 2020.

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TABLE 5 - TEN LARGEST TAXPAYERS

Name of Taxpayer	Nature of Property	2020/2021 Taxable Assessed Valuation	% of Total Taxable Assessed Valuation
UHS Of Texoma Inc.	Hospital	$ 154,530,801	8.10%
Universal Health Services	Hospital	43,759,659	2.29%
Ruiz Food Products Inc.	Manufacturing	32,174,327	1.69%
Ruiz Food Products Inc.	Manufacturing	24,795,670	1.30%
Grayson Properties LP	Medical Clinic	22,596,280	1.18%
Covenant Denison Holdings LLC	Office Buildings	19,962,400	1.05%
Spectrum Brands Inc.	Manufacturing	18,450,348	0.97%
Oncor Electric Delivery Co. LLC	Electric Utility/Power Plant	15,869,138	0.83%
Union Pacific Railroad Co.	Railroad	15,763,397	0.83%
MFT Twin Oaks LLC	Apartments	14,000,000	0.73%
		$ 361,902,020	18.96%

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

TABLE 6 - TAX ADEQUACY (1)

2021 Net Principal and Interest Requirements	$	1,109,087
$0.0593 Tax Rate at 98% Collection Produces		1,109,113
Average Annual Net Principal and Interest Requirements, 2021-2041	$	1,369,652
$0.0733 Tax Rate at 98% Collection Produces		1,370,961
Maximum Net Principal and Interest Requirements, 2027	$	1,951,702
$0.1044 Tax Rate at 98% Collection Produces		1,952,637

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

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TABLE 7 - ESTIMATED OVERLAPPING DEBT

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

Taxing Jurisdiction	2020/21 Taxable Assessed Value	2020/21 Tax Rate	Total G.O. Tax Debt	Estimated % Applicable	City's Overlapping G.O. Tax Debt 12/1/2020	Authorized But Unissued Debt 12/1/2020
City of Denison	$ 1,908,512,347	$ 0.6520	$ 26,153,276 (1)	100.00%	$ 26,153,276 (1)	$ -
Denison ISD	2,034,939,765	1.3980	92,906,093	73.89%	68,648,312	-
Grayson Co.	11,492,063,161	0.4160	36,345,000	15.33%	5,571,689	-
Grayson Co JCD	12,837,708,543	0.1720	23,315,000	15.33%	3,574,190	-
Pottsboro ISD	1,123,132,866	1.1000	7,320,000	5.55%	406,260	-
Sherman ISD	3,685,473,673	1.5470	206,215,000	0.26%	536,159	-
Total Direct and Overlapping G. O. Tax Debt					$ 104,889,886	
Ratio of Direct and Overlapping G. O. Tax Debt to Taxable Assessed Valuation					5.50%	
Per Capita Overlapping G. O.Tax Debt					$ 4,061	

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

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TABLE 8 - GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS

Fiscal Year Ending 9/30	Outstanding Debt Service[1] Principal	Outstanding Debt Service[1] Interest	Outstanding Debt Service[1] Total	The Certificates[2] Principal	The Certificates[2] Interest	The Certificates[2] Total	Total Outstanding Debt	Less: Self Supporting Debt[3]	Net Debt Service Requirements	% of Principal Retired
2021	$ 4,770,000	$ 1,819,427	$ 6,589,427	$ -	$ -	$ -	$ 6,589,427	$ 5,480,340	$ 1,109,087	
2022	4,455,000	1,688,318	6,143,318	80,000	651,915	731,915	6,875,233	5,434,456	1,440,778	
2023	4,600,000	1,550,888	6,150,888	200,000	443,500	643,500	6,794,388	5,442,600	1,351,788	
2024	4,750,000	1,403,185	6,153,185	260,000	434,300	694,300	6,847,485	5,453,082	1,394,403	
2025	4,885,000	1,261,681	6,146,681	600,000	417,100	1,017,100	7,163,781	5,443,150	1,720,631	32.64%
2026	4,570,000	1,125,398	5,695,398	620,000	392,700	1,012,700	6,708,098	5,443,948	1,264,151	
2027	3,860,000	995,908	4,855,908	650,000	367,300	1,017,300	5,873,208	3,921,506	1,951,702	
2028	3,685,000	866,548	4,551,548	675,000	340,800	1,015,800	5,567,348	3,926,461	1,640,887	
2029	2,785,000	737,459	3,522,459	825,000	310,800	1,135,800	4,658,259	3,015,946	1,642,313	
2030	2,385,000	651,426	3,036,426	860,000	277,100	1,137,100	4,173,526	2,481,632	1,691,894	60.39%
2031	2,200,000	571,603	2,771,603	895,000	242,000	1,137,000	3,908,603	2,476,887	1,431,716	
2032	2,285,000	493,798	2,778,798	930,000	205,500	1,135,500	3,914,298	2,487,208	1,427,090	
2033	2,360,000	414,828	2,774,828	960,000	177,300	1,137,300	3,912,128	2,483,321	1,428,807	
2034	2,285,000	336,539	2,621,539	975,000	157,950	1,132,950	3,754,489	2,474,973	1,279,516	
2035	2,370,000	258,551	2,628,551	995,000	138,250	1,133,250	3,761,801	2,479,806	1,281,996	81.96%
2036	1,985,000	188,478	2,173,478	1,015,000	118,150	1,133,150	3,306,628	2,024,679	1,281,949	
2037	1,920,000	128,968	2,048,968	1,035,000	97,650	1,132,650	3,181,618	1,907,154	1,274,464	
2038	1,515,000	76,478	1,591,478	1,060,000	76,700	1,136,700	2,728,178	1,643,675	1,084,503	
2039	1,055,000	37,206	1,092,206	1,080,000	55,300	1,135,300	2,227,506	1,140,503	1,087,004	
2040	705,000	10,575	715,575	1,105,000	33,450	1,138,450	1,854,025	769,849	1,084,176	98.51%
2041	-	-	-	1,120,000	11,200	1,131,200	1,131,200	237,350	893,850	100.00%
	$ 59,425,000	$ 14,617,258	$ 74,042,258	$ 15,940,000	$ 4,948,965	$ 20,888,965	$ 94,931,223	$ 66,168,523	$ 28,762,700	

(1) "Outstanding Debt" does not include lease purchase obligations.
(2) Average life of the Certificates – 12.476 years.
(3) Includes a portion of the Certificates. The City currently makes payments on the amount of debt identified as self-supporting from surplus revenues of the City's waterworks and sewer system. It is the City's current policy to make these payments from such revenues, but such policy is subject to change. In the event payments are not made from such revenues, the City will be required to assess an ad valorem tax sufficient to make such payments. In addition, the City has entered into an agreement with a private party pursuant to which the City will receive annual payments of $700,000 a year for ten years to pay a portion of the cost of the sports complex funded with proceeds of the City's previously issued Combination Tax and Limited Surplus Revenue Certificates of Obligation, Series 2016B (the "Series 2016B Certificates"). The City expects to apply such payments to the debt service on the Series 2016B Certificates. To the extent such payments may not be available in the future or the City otherwise applies such payments to the sports complex, the City will be required to assess an ad valorem tax sufficient to pay debt service on the Series 2016B Certificates.

TABLE 9 - INTEREST AND SINKING FUND BUDGET PROJECTION

Net Tax Obligation Debt Service Requirements, Fiscal Year Ending 9/30/21		$ 1,109,087
Interest and Sinking Fund Balance, 9/30/20[1]	$ 962,084	
Budgeted Interest and Sinking Fund Tax Levy	1,617,810	
Budgeted Interest Income	14,000	2,593,894
Estimated Balance, Fiscal Year Ending 9/30/21		$ 1,484,807

TABLE 10 - AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS

The City has no authorized but unissued ad valorem tax bonds.

ANTICIPATED ISSUANCE OF GENERAL OBLIGATION DEBT . . . The City anticipates the issuance of additional ad valorem tax debt of approximately $10.6 million for water & sewer projects in the Spring of 2021.

TABLE 11 – OTHER OBLIGATIONS

The City has the following lease agreements:

$373,500 Equipment Lease Purchase Agreement for financing the purchase of equipment dated December 12, 2012. It is payable in annual installments of $41,746, including interest at a rate of 2.42%. The lease is secured by equipment and has a carrying value of $80,556.70 at September 30, 2020.

$1,600,000 Equipment Lease Purchase Agreement for financing the purchase of equipment dated November 14, 2014. It is payable in annual installments of $180,904, including interest at a rate of 2.45%. The lease is secured by equipment and has a carrying value of $682,364.32 at September 30, 2020.

$463,000 Equipment Lease Purchase Agreement for financing the purchase of equipment dated December 11, 2015. It is payable in annual installments of $46,668, including interest at a rate of 2.081%. The lease is secured by equipment and has a carrying value of $219,450.67 at September 30, 2020.

$525,509 Equipment Lease Purchase Agreement for financing the purchase of equipment dated January 26, 2018. It is payable in annual installments of $60,931, including interest at a rate of 3.045%. The lease is secured by equipment and has a carrying value of $378,975.80at September 30, 2020.

$135,186 Equipment Lease Purchase Agreement for financing the purchase of equipment dated January 23, 2018. It is payable in annual installments of $23,938, including interest at a rate of 2.46%. The lease is secured by equipment and has a carrying value of $68,382.21 at September 30, 2020.

$210,000 Capital lease payable to BB&T, due in annual installments $44,611 through 2023, interest at 3.11% and a carrying value of $125,921.25 at September 30, 2020.

$1,677,500 Capital lease payable to JP Morgan Chase, due in annual installments of $194,919, through 2029, interest at a rate of 3.05% and carrying value of $1,514,131.54 at September 30, 2020.

$337,306 Ricoh Copier lease, dated August 6, 2018. Payable in monthly installments of $5,621.77. Lease has a carrying value of $196,761.95 at September 30, 2020.

$1,100,000 Equipment Lease Agreement dated December 17, 2020, due in annual installments of $227,312.95, through 2025, interest at 1.100%. Lease has a carrying value of 1,136,564.75.

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The annual requirements for lease purchase payments as of September 30, 2020, are as follows:

	Governmental Activities		
Year Ending September 30	Principal	Interest	Total
2021	$ 575,016	$ 86,163	$ 661,179
2022	588,648	72,531	661,179
2023	555,286	58,525	613,811
2024	438,275	45,147	483,423
2025	269,136	33,383	302,518
2026	230,231	25,620	255,851
2027	237,250	18,601	255,851
2028	183,552	11,367	194,919
2029	189,150	5,769	194,919
Totals	$ 3,266,544	$ 357,106	$ 3,623,650

Texoma Area Solid Waste Authority - The Texoma Area Solid Waste Authority (TASWA) is a local government corporation that was incorporated by five governmental entities, the cities of Gainesville, Sherman and Denison and the counties of Cooke and Grayson. TASWA has no members or stock. The corporation is organized for the purpose of aiding, assisting and acting on behalf of the local governments in the financing, construction, ownership and operation of a solid waste landfill.

Each member government appoints one member to serve on the Board of Directors of TASWA. None of the governments represents a voting majority on the Board; however, the Cities retain an ongoing financial responsibility to TASWA. Bonds issued in April 2004 and March 2008 by TASWA are secured by contractual payments to be made by the Cities to TASWA for solid waste disposal. The Cities have pledged to deliver a guaranteed annual tonnage to the TASWA facility, based on each City's respective waste volume history. The City's budgeted commitment to TASWA for fiscal year 2021 is $915,000. Payments made by the City during the year totaled $906,203. The outstanding balance of TASWA's bonds at June 15, 2020, was $8,150,000. Financial statements and other information may be obtained by contacting TASWA's business office, P.O. Box 249, Whitesboro, Texas 76273.

PENSION FUND

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

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

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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS. Plan provisions for the City were as follows:

	Plan Year	
	2018	2017
Employee deposit rate:	7%	7%
Matching ratio (city to employee):	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility		
(expressed as age/years of service)	60/5, 0/20	60/5, 0/20
Updated Service Credit	100% Repeating, Transfers	100% Repeating, Transfers
Annuity increase (to retirees)	30% of CPI	30% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	159
Inactivee employees entitled to but not yet receiving benefits	114
Active employees	228
Total	501

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 of Denison, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Denison, Texas were 12.74% and 12.17% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $1,431,847, and were equal to the required contributions.

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

Actuarial Assumptions

The TPL in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

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

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.30%
International Equity	17.5%	6.10%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	3.39%
Real Return	10.0%	3.75%
Real Estate	10.0%	4.44%
Absolute Return	10.0%	3.56%
Private Equite	5.0%	7.75%
Total	100.0%	

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 12/31/17	$ 63,996,301	$ 61,685,295	$ 2,311,006
Changes for the year:			
Service cost	1,698,110	-	1,698,110
Interest	4,259,941	-	4,259,941
Difference between expected and actual experience	15,566	-	15,566
Changes of assumptions	-	-	-
Contributions-employer	-	1,410,223	(1,410,223)
Contributions-employee	-	775,143	(775,143)
Net investment income	-	(1,846,896)	1,846,896
Benefit payments,including refunds of emp. contributions	(3,470,248)	(3,470,248)	-
Administrative expense	-	(35,711)	35,711
Other changes	-	(1,866)	1,866
Net changes	2,503,369	(3,169,355)	5,672,724
Balance at 12/31/18	$ 66,499,670	$ 58,515,940	$ 7,983,730

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

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

1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 16,486,777	$ 7,983,730	$ 949,270

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended September 30, 2019, the city recognized pension expense of $2,293,725.

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

	Deferred Outflows of Resources	Defered Inflows of Resources
Difference between projected and investment earnings	$ -	$ (231,780)
Changes in actuarial assumptions	5,318	-
Differences between projected and Investmetn earnings	3,177,103	-
Contributions subsequent to the measurement date	1,066,649	-
	$ 4,249,070	$ (231,780)

The City reported $1,066,649 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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:	
2019	$ 1,010,222
2020	324,553
2021	413,737
2022	1,202,129
2023	-
Thereafter	-
	$ 2,950,641

Firemen's Relief and Retirement Fund

The Board of Trustees of the Fund is the administrator of the Fund, a single-employer defined benefit pension plan. The Fund is an independent entity for financial reporting purposes. The City is the only contributing employer. The members of the Fund also contribute to the Fund. The Fund is an independent entity for financial reporting purposes. The City of Denison, Texas is the only contributing employer.

The Fund is established under the authority of the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). The Fund is administered by a Board of Trustees which is made up of three members elected from and by the Fund members, two representatives of the City and two citizen members.

The Fund covers current and former fire fighters of the City as well as certain beneficiaries of current and former fire fighters. The Fund is open to new entrants. An actuarial valuation of the Fund is performed every two years.

Benefits Provided - Effective January 1, 2020, the City contributes 18 percent of each Fund member's total pay (including regular, longevity, overtime pay and pay received during a period of sick leave or vacation, but excluding lump sum distributions for unused sick leave or vacation). Fund members contribute to the fund at a rate of 13.25 percent of pay. Fund members receive a credit for service for the period during which they pay into, and keep on deposit in the fund, the contributions required by the Fund. Retirement, death, disability, and termination benefits are calculated based upon a member's average salary for the 24 consecutive months that produce the highest average.

All active fire fighters of the City are members of the Denison Firemen's Relief and Retirement Fund.

The City contributed 100% toward the required postemployment benefit cost for current and two preceding years.

Service Retirement Benefits - A member is eligible for service retirement benefits upon completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the Fund will receive a monthly benefit equal to the sum of (a) and (b), below, where: (a) Equals 2.65 percent of the member's highest 24-month average salary, multiplied by the member's years of credited service not in excess of 20, and (b) Equals 3.00 percent of the member's highest 24-month average salary multiplied by the member's years of credited service in excess of 20.

The maximum service retirement benefit is $5,150 per month.

Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, three-fourths of the member's pension will be continued to the member's spouse for the spouse's lifetime. Monthly benefits to a widowed spouse upon remarriage will continue subject to the other terms of the Fund.

Disability Benefits - An active member who becomes disabled before the date he qualifies for service retirement will receive a monthly disability benefit equal to 50 percent of the member's average monthly compensation. However, if a member is eligible for a service retirement benefit, he will receive the service retirement benefit to which he is entitled instead of the disability benefit. The maximum disability benefit is $5,150 per month.

If a member begins drawing disability benefits prior to age 50, but after the date he has completed 20 years of service, monthly disability benefits will end at age 50. Starting at age 50, the member will receive the amount of monthly termination benefit, described below, which the member has accumulated as of the date his service is terminated due to disability.

Disability benefits are payable in the same form as service retirement benefits. However, disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the Fund.

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

Inactive employees or beneficiaries currently receiving benefits	53
Inactivee employees entitled to but not yet receiving benefits	9
Active employees	47
Total	109

Contributions - The contribution rate for employees was 12% of employee gross earnings, and the City matching percentage 15%, both as adopted by the governing body of the Fund. Beginning January 1, 2020, the contribution rate for employees was increased to 13.25% and the City's contribution was increased to 18%. The City's contributions to the fund for the year ended September 30, 2020, were $529,465, and were equal to the required contributions.

Net Pension Liability - The City's net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019.

Total pension liability	$ 23,884,175
Plan fiduciary net position	20,225,141
City's net pension liability	$ 3,659,034
Plan fiduciary net position as a percentage of the total pension Liability	84.70%

Actuarial Assumptions - The total pension liability in the December 31, 2019 actuarial valuation, measurement date of December 31, 2019, was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Actuarial cost method
Amortization method	Open period, level percentage of pay
Asset valuation method	The fair value of assets plus 20% of the unrecognized gains & losses from each of the past four years. The resulting value is further limited to be no less than 80% and no greater than 110% of the fair value of assets.
Discount rate	7.50% per annum, compounded annually
Salary increases for	2.75% plus promotion, step and longevity increases that vary by service
Increases in total payroll	3.50% per year, compounded annually
Marital status	
a. Proportion married	Males: 100%, Females: 100%
b. Difference in ages	Actual age difference are used for married members. Unmarried members are assumed to be married at retirement, Males are assumed to be two years older than their spouses.
Contribution rates	Rates in effect are assumed to remain constant for future years
Mortality rates	RP-2000 combined healthy tables for males and females with mortality improvement projected to valuation date using Scale AA.

Termination rates		
	Age	Termination Rate
	25	4.97%
	35	2.49%
	45	0.62%
	55	0.00%

Disability — Rates developed from 1985 Society of Actuaries Disability Table Study using Class 1 male rates with a 90-day elimination period. Specimen rates are:

Age	Termination Rate
25	0.111%
35	0.152%
45	0.335%
55	0.858%

Assumed death benefit to children	Each member is assumed to have two children. The first child is assumed to have been born when the member was age 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid when each child reaches the age of 18.
Assumed contribution rates	
a. Members	12.00% of compensation
b. City	15.00% of compensation
Assumed form of payment	Members are assumed to receive a joint and 75% contingent service retirement benefit, which is the only form of service retirement benefit in the plan.

Discount Rate - The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2016 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash and cash equivalents	0.70%	0.00%
Closed-ed mutal funds	11.90%	1.45%
REITS	6.70%	3.95%
Domestic equities	80.70%	5.95%
	100.00%	

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balance at 09/30/2019	$ 23,290,447	$ 16,588,602	$ 6,701,845
Changes for the year:			
Service cost	504,489	-	504,489
Interest	1,713,480	-	1,713,480
Difference between expected and actual experience	(693,239)	-	(693,239)
Changes of assumptions	-	-	-
Contributions-employer	-	529,465	(529,465)
Contributions-employee	-	423,572	(423,572)
Net investment income	-	4,623,990	(4,623,990)
Benefit payments,including refunds of emp. contributions	(1,897,085)	(1,897,085)	-
Administrative expense	-	(43,403)	43,403
Assumption Changes	966,083	-	966,083
Net changes	593,728	3,636,539	(3,042,811)
Balance at 9/30/2020	$ 23,884,175	$ 20,225,141	$ 3,659,034

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 7.50% as well as what the City's net pension liability would be if it were to be calculated using the discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
$ 6,513,073	$ 3,659,034	$ 1,285,655

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued financial report. That report may be obtained from the finance department of the City.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - For the year ended September 30, 2020, the City recognized pension expense of $398,080.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between projected and investment earnings	$ -	$ 2,193,572
Changes of assumptions	872,485	467,590
Differences between expected and actual economic experience	-	825,366
Contributions subsequent to the measurement date	-	-
	$ 872,485	$ 3,486,528

The City reported $872,485 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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:	
2021	$ (679,058)
2022	(682,103)
2023	(401,345)
2024	(759,744)
2025	(91,793)
Thereafter	-
	$ (2,614,043)

	Texas Municipal Retirement System Defined Benefits Plan	Denison Fireman's Relief and Retirement Fund	Total
Net Pension Liability	$ (7,983,730)	$ (3,659,034)	$ (11,642,764)
Deferred Outflow of Resources	4,249,070	872,485	5,121,555
Deferred Inflows of Resources	(231,780)	3,486,528	3,254,748
Pension Expense	2,293,725	398,080	2,691,805
Total	$ (1,672,715)	$ 1,098,059	$ (574,656)

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FINANCIAL INFORMATION

TABLE 12 - SCHEDULE OF GENERAL FUND REVENUES AND EXPENDITURE HISTORY

	Fiscal Years Ended September 30,				
	2020[1]	2019	2018	2017	2016
Revenues:					
Taxes	$ 17,162,040	$ 15,646,857	$ 14,823,663	$ 14,522,815	$ 13,282,837
Services and Sales	8,062,515	8,953,765	8,804,375	8,318,620	7,963,009
Fines and Penalties	300,806	305,184	334,724	414,401	458,795
Licenses and Permits	767,573	607,804	523,420	512,456	304,911
Intergovernmental Revenue	280,829	-	-	-	100,000
Interest	69,739	140,681	70,224	23,064	23,617
Miscellaneous	428,614	231,740	227,647	315,964	518,701
Total Revenues	$ 27,072,116	$ 25,886,031	$ 24,784,053	$ 24,107,320	$ 22,651,870
Expenditures:					
General Government	$ 4,765,395	$ 4,786,107	$ 4,952,757	$ 4,861,251	$ 4,348,810
Public Safety	11,402,600	11,205,462	10,552,745	10,455,135	9,901,168
Public Works	6,179,258	6,122,972	5,756,218	5,546,335	5,394,623
Public Service	3,138,596	2,108,567	1,355,903	1,442,388	1,262,765
Parks and Recreation	2,621,571	2,798,153	2,483,506	2,440,472	2,255,630
Capital Outlay	-	1,930,895	522,264	4,456	523,783
Debt Service:					
Principal Retirement	745,455	740,096	625,722	572,551	550,917
Interest and Fiscal Agent Fees	5,553	63,126	65,826	73,289	76,649
Less: Garage Charges	-	-	-	-	-
Total Expenditures	$ 28,858,428	$ 29,755,378	$ 26,314,941	$ 25,395,877	$ 24,314,345
Excess (Deficiency) of Revenues Over Expenditures	$ (1,786,312)	$ (3,869,347)	$ (1,530,888)	$ (1,288,557)	$ (1,662,475)
Other Sources (Uses)					
Capital Lease	$ -	$ 1,887,500	$ 790,378	$ -	$ 463,000
Premium (Discount) on Bonds	-	-	-	-	-
Refunding Bonds Issued	-	-	-	-	-
Payments on Refunding Bonds	-	-	-	-	-
Gain (Loss) on Disposal of Assets	-	-	-	-	-
Operating Transfers In (Out)	1,413,390	1,249,874	763,610	1,664,564	661,023
Total Other Sources (Uses)	$ 1,413,390	$ 3,137,374	$ 1,553,988	$ 1,664,564	$ 1,124,023
Prior Period Adjustments				-	-
Beginning Fund Balance	6,966,067	7,698,040 [2]	8,002,984 [2]	7,562,664 [2]	8,035,224
Ending Fund Balance	$ 6,593,145	$ 6,966,067	$ 8,026,084	$ 7,938,671	$ 7,496,772

(1) Unaudited.
(2) Restated.

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TABLE 12A – SCHEDULE OF CHANGES IN NET ASSETS

	Fiscal Year Ended September 30,				
Revenues:	2020[1]	2019	2018	2017	2016
Program Revenues					
Charges for Services	$ 9,722,270	$ 10,347,686	$ 10,437,774	$ 9,594,801	$ 9,275,475
Operating Grants and Contributions	540,949	449,370	819,419	224,280	406,300
Capital Grants and Contributions	-	-	-	793,519	793,519
General Revenues					
Property Taxes	11,414,525	10,049,035	8,861,579	8,507,756	7,603,739
Other Local Taxes	6,071,814	7,646,420	7,528,145	6,937,616	6,554,267
Gain (Loss) on Sale of Capital Assets	1,821,276	-	-	-	-
Unrealized Gain on Investments	-	-	-	-	-
Interest Income	122,773	216,726	163,508	105,995	45,826
Other	805,015	624,662	735,762	909,401	57,993
Total Revenues	$ 30,498,622	$ 29,333,899	$ 28,546,187	$ 27,073,368	$ 24,737,119
Expenses:					
General Administration	$ 5,571,184	$ 5,674,881	$ 5,592,849	$ 6,217,065	$ 4,676,013
Public Safety	13,731,011	12,903,441	11,341,795	11,552,027	10,918,408
Community Services	5,561,006	5,776,713	4,055,461	4,288,512	4,124,284
Public Works and Transportation	6,846,289	6,804,281	6,324,708	6,157,746	4,953,880
Interest and Service Charges	1,177,973	506,897	538,988	489,753	305,847
Total Expenses and Transfers	$ 32,887,463	$ 31,666,213	$ 27,853,801	$ 28,705,103	$ 24,978,432
Transfers	228,847	5,024	1,539,284	2,023,317	1,687,361
Increase (Decrease) in Net Assets	$ (2,159,994)	$ (2,327,290)	$ 2,231,670	$ 391,582	$ 1,446,048
Net Assets - Beginning of Year	35,891,070	38,218,360 [2]	37,270,067 [2]	30,193,495 [2]	28,740,977
Prior Period Adjustment		-	-	-	-
Net Assets - End of Year	$ 33,731,076	$ 35,891,070	$ 39,501,737	$ 30,585,077	$ 30,187,025

(1) Unaudited.
(2) Restated.

TABLE 13 - MUNICIPAL SALES TAX HISTORY

The City has adopted the Municipal Sales and Use Tax Act Texas, Tax Code, Chapter 321, as amended, which grants the City the power to impose and levy a 1% Local Sales and Use Tax within the City; the proceeds are credited to the General Fund and are not pledged to the payment of the Certificates. Collections and enforcements are effected through the offices of the Comptroller of Public Accounts, State of Texas, who remits the proceeds of the tax, after deduction of a 2% service fee, to the City monthly. In 1997, 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-half of one percent (½ of 1%) for property tax reduction.

Fiscal Year Ended 9/30	Total Collected[1]	% of Ad Valorem Tax Levy	Equivalent of Ad Valorem Tax Rate	Per Capita[2]
2017	$ 5,157,204	60.44%	$ 0.38886	$ 219
2018	5,582,867	64.26%	0.39051	236
2019	5,710,960	59.99%	0.36290	234
2020	6,112,237 [3]	56.54%	0.34809	241
2021	483,168 [4]	4.10%	0.02532	19

(1) Based on a 1 1/2% Local Sales and Use Tax within the City.
(2) Based on population estimates provided by City officials.
(3) Unaudited.
(4) Collections as of December 2020.

FINANCIAL POLICIES

Basis of Accounting . . . The City's accounting records of the governmental fund revenues and expenditures are recognized on the modified accrual basis. Revenues are recognized in the accounting period in which they are available and measurable. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt.

The accrual basis of accounting is utilized by proprietary funds. Under the accrual basis of accounting revenues are recognized in the accounting period in which they are earned and become measurable. Expenses are recorded in the accounting period incurred, if measurable.

General Fund Balance . . . The City policy is to maintain surplus and unencumbered funds equal to a minimum of 60 days of budgeted expenditures in the General Fund. This allows the City to avoid interim borrowing pending tax receipts.

Use of Bond Proceeds, Grants, etc. . . . The City's policy is to use bond proceeds, grants, revenue sharing or other non-recurring revenues for capital expenditures only. Such revenues are never to be used to fund City operations.

Budgetary Procedures . . . The City Charter establishes the fiscal year as the twelve-month period beginning October 1. The departments submit to the City Manager a budget of estimated expenditures for the ensuing fiscal year by the first of June. The City Manager subsequently submits a budget of estimated expenditures and revenues to the City Council by August 1. The City Council holds two public hearings on the budget after giving at least 7 days' notice of the hearings in the official newspaper of the City. The Council then makes any changes in the budget as it deems advisable and adopts a budget prior to September 30.

During the fiscal year, budgetary control is maintained by the review of departmental appropriation balances as well as purchase order capabilities and purchasing policies.

Departmental appropriations that have not been expended lapse at the end of the fiscal year. Therefore, funds that were budgeted and not used by the departments during the fiscal year are not available for their use unless appropriated in the ensuing fiscal year's budget.

INVESTMENTS

The City invests its investable funds in investments authorized by Texas law, including particularly V.T.C.A., Texas Government Code, Chapter 2256, as amended (the "PFIA"), in accordance with investment policies approved by the City Council. Both state law and the City's investment policies are subject to change.

INVESTMENT AUTHORITY AND INVESTMENT PRACTICES OF THE CITY . . . Under Texas law, the City is authorized to invest in: (1) obligations of the United States or its agencies and instrumentalities, including letters of credit; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of the United States; (4) other obligations, the principal and interest of which is guaranteed or insured by or backed by the full faith and credit of, the State of Texas or the United States or their respective agencies and instrumentalities; (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) certificates of deposit meeting the requirements of the PFIA that are issued by an institution that has its main office or a branch office in the State of Texas and are guaranteed or insured by the Federal Deposit Insurance Corporation or the National Credit Union Share Insurance Fund, or are secured as to principal by obligations described in clauses (1) through (6) or in any other manner and amount provided by law for City deposits; (8) fully collateralized repurchase agreements that have a defined termination date, are fully secured by obligations described in clause (1), and are placed through a primary government securities dealer or a financial institution doing business in the State of Texas; (9) certain bankers' acceptances with the remaining term of 270 days or less, if the short-term obligations of the accepting bank or its parent are rated at least A-1 or P-1 or the equivalent by at least one nationally recognized credit rating agency; (10) commercial paper with a stated maturity of 270 days or less that is rated at least A-1 or P-1 or the equivalent by either (a) two nationally recognized credit rating agencies or (b) one nationally recognized credit rating agency if the paper is fully secured by an irrevocable letter of credit issued by a U.S. or state bank; (11) no-load money market mutual funds registered with and regulated by the Securities and Exchange Commission that have a dollar weighted average stated maturity of 90 days or less and include in their investment objectives the maintenance of a stable net asset value of $1 for each share; and (12) no-load mutual funds registered with the Securities and Exchange Commission that have an average weighted maturity of less than two years, invest exclusively in obligations described in the this paragraph, and are continuously rated as to investment quality by at least one nationally recognized investment rating firm of not less than AAA or its equivalent. In addition, bond proceeds may be invested in guaranteed investment contracts that have a defined termination date and are secured by obligations, including letters of credit, of the United States or its agencies and instrumentalities in an amount at least equal to the amount of bond proceeds invested under such contract, other than the prohibited obligations described below.

A political subdivision such as the City may enter into securities lending programs if: (i) the securities loaned under the program are 100% collateralized, a loan made under the program allows for termination at any time and a loan made under the program is either secured by (a) obligations that are described in clauses (1) through (6) 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 (6) above, clauses (10) through (12) above, or an authorized investment pool; (ii) securities held as collateral under a loan are pledged to the City, held in the City's name and deposited at the time the investment is made with the City or a third party designated by the City; (iii) a loan made under the program is placed through either a primary government securities dealer or a financial institution doing business in the State of Texas; and (iv) the agreement to lend securities has a term of one year or less.

The City may invest in such obligations directly or through government investment pools that invest solely in such obligations provided that the pools are rated no lower than AAA or AAA 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 Texas law, the City is required to invest its funds under written investment policies that primarily emphasize safety of principal and liquidity; that address investment diversification, yield, maturity, and the quality and capability of investment management; and that include a list of authorized investments for City funds, the maximum allowable stated maturity of any individual investment and the maximum average dollar-weighted maturity allowed for pooled fund groups. All City funds must be invested consistent with a formally adopted “Investment Strategy Statement” that specifically addresses each fund's investment. Each Investment Strategy Statement will describe its objectives concerning: (1) suitability of investment type, (2) preservation and safety of principal, (3) liquidity, (4) marketability of each investment, (5) diversification of the portfolio, and (6) yield.

Under Texas law, 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 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, and any additions and changes to market value and the ending value of each pooled fund group, (4) the book value and market value of each separately listed asset at the beginning and end of the reporting period, (5) the maturity date of each separately invested asset, (6) the account or fund or pooled fund group for which each individual investment was acquired, and (7) the compliance of the investment portfolio as it relates to: (a) adopted investment strategies and (b) Texas law. No person may invest City funds without express written authority from the City Council.

ADDITIONAL PROVISIONS . . . Under Texas 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 14 - CURRENT INVESTMENTS

As of November 30, 2020, the City's investable funds were invested in the following categories:

Type of Investment	Purchase Price	Market Value
Certificates of Deposit	$ 920,000	$ 920,000
High Yield Savings	431,546	431,546
TexStar	15,417,591	15,417,591
	$ 16,769,137	$ 16,769,137

WATERWORKS AND SEWER SYSTEM

TABLE 15 - TEN LARGEST WATER CUSTOMERS (AS OF SEPTEMBER 30, 2020)

Customer	Water Usage	% of Total Water Usage
Ruiz Foods	110,623,500	8.43%
City of Pottsboro	100,790,154	7.68%
Oakridge	61,332,000	4.67%
Kwikset	48,765,738	3.71%
TMC	34,702,144	2.64%
DISD	21,460,134	1.63%
Grayson College	10,767,212	0.82%
Monarch Utilites	10,659,677	0.81%
Housing Authority	9,879,238	0.75%
AMTEX Parkdale	8,027,277	0.61%
	417,007,074	31.77%

TABLE 16 - WATER RATES (EFFECTIVE AS OF DECEMBER 1, 2020)

Residential Users	
First 1,000 gallons	$26.00 (Minimum)
Per 1,000 additional gallons	$3.1113 per 1,000 gallons

Commercial Users	
First 1,000 gallons	$45.00 (Minimum)
Per 1,000 additional gallons	$4.0184 per 1,000 gallons

Industrial Users	
First 1,000 gallons	$80.00 (Minimum)
Per 1,001 - 3,750,000 gallons	$3.5604 per 1,000 gallons
Per 3,750,001 - 7,500,000 gallons	$3.4127 per 1,000 gallons
Per 7,500,001 and up	$3.2649 per 1,000 gallons

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TABLE 17 - SEWER RATES (EFFECTIVE AS OF DECEMBER 1, 2020)

Residential Users	
First 1,000 gallons	$24.00 (Minimum)
Per 1,000 additional gallons	$2.5763 per 1,000 gallons

Commercial Users	
First 1,000 gallons	$45.00 (Minimum)
Per 1,000 additional gallons	$3.8559 per 1,000 gallons

Industrial Users	
First 1,000 gallons	$73.00 (Minimum)
Per 1,000 additional gallons	$3.8559 per 1,000 gallons

TABLE 18 - CONDENSED STATEMENT OF SYSTEM EARNINGS AND COVERAGE

	Fiscal Year Ended September 30,				
Revenues	2020[1]	2019	2018	2017[2]	2016
Customer Charges	$ 13,718,598	$ 12,624,603	$ 12,466,302	$ 11,879,317	$ 11,015,620
Capital Gaines and Contributions	-	-	-	-	-
Other Services and Fees[1]	86,091	158,791	89,046	46,152	19,851
Investment Income	-	-	-	33,498	28,985
Total Revenues	$ 13,804,689	$ 12,783,394	$ 12,555,348	$ 11,958,967	$ 11,064,456
Expenses[2]					
Personnel	$ 3,874,275	$ 3,841,555	$ 3,548,924	$ 3,766,628	$ 3,616,490
Contractual	4,585,786	2,069,585	1,725,923	1,812,710	2,087,373
Supplies and Materials	1,318,017	1,325,500	1,292,624	1,274,578	1,204,339
Repairs and Maintenance	849,100	626,421	846,313	681,984	613,448
Miscellaneous	-	-	-	-	133,321
Total Expenses	$ 10,627,178	$ 7,863,061	$ 7,413,784	$ 7,535,900	$ 7,654,971
Net Available for Debt Service	$ 3,177,511	$ 4,920,333	$ 5,141,564	$ 4,423,067	$ 3,409,485
Annual Debt Service	$ 1,341,347	$ 1,056,568	$ 890,242	$ 814,943	$ 681,346
Coverage of Debt Service Requirements	2.37	4.66	5.78	5.43	5.00
Water Customers	10,722	10,507	10,193	10,281	10,148
Sewer Customers	9,429	9,262	9,103	9,125	9,014

(1) Unaudited.
(2) Restated.

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TAX MATTERS

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

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

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

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

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

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

Under Existing Law, any owner who has purchased such Original Issue Discount Certificate 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 Certificate 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 Certificate prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Certificate 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 Certificate was held by such initial owner) is includable in gross income.

Under Existing Law, the original issue discount on each Original Issue Discount Certificate 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 Certificates 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 Certificate 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 Certificate.

The federal income tax consequences of the purchase, ownership, redemption, sale or other disposition of Original Issue Discount Certificates 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 Certificates 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 Certificates 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 Certificates.

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

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

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

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

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

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

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

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

CONTINUING DISCLOSURE OF INFORMATION

In the Ordinance, the City has made the following agreement for the benefit of the registered and beneficial owners of the Certificates. The City is required to observe the agreement for so long as it remains obligated to advance funds to pay the Certificates. Under the agreement, the City will be obligated to provide certain updated financial information and operating data annually and timely notice of specified events to the Municipal Securities Rulemaking Board ("*MSRB*"). This information will be publicly available on the MSRB's Electronic Municipal Market Access System ("*EMMA*") at http://emma.msrb.org/.

ANNUAL REPORTS . . . The City will provide certain updated financial information and operating data to the MSRB on an annual basis. The information to be updated includes all quantitative financial information and operating data with respect to the City of the general type included in this Official Statement under Tables numbered 1 through 6 and 8 through 18 (the "Annual Operating Report"). The City will update and provide this information within six months after the end of each fiscal year ending in and after 2020. The City will additionally provide audited financial statements of the City (the "Financial Statements") and such Financial Statements will be provided when and if available, but in any event within 12 months after the end of each fiscal year ending in or after 2020. If the audit of such financial statements is not complete within 12 months after any such fiscal year end, then the City will file unaudited financial statements within such 12-month period and audited financial statements for the applicable fiscal year, when and if the audit report on such statements becomes available. Any such Financial Statements will be prepared in accordance with the accounting principles described in Appendix B or such other accounting principles as the City may be required to employ from time to time pursuant to State law or regulation. The City may provide updated information in full text or may incorporate by reference documents available on EMMA or filed with the U.S. Securities and Exchange Commission (the "*SEC*").

The City's current fiscal year end is September 30. Accordingly, the Annual Operating Report must be provided by March 31 in each year, and the Financial Statements must be provided by September 30 of each year, unless the City changes its fiscal year. If the City changes its fiscal year, it will notify the MSRB of the change.

EVENT NOTICES . . . The City will also provide to the MSRB notices of certain events on a timely basis no later than 10 business days after the event. The City will provide notice of any of the following events with respect to the Certificates: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates; (7) modifications to rights of holders of the Certificates, if material; (8) Certificate calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Certificates, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership, or similar event of the City; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional trustee or the change of name of any trustee, if material; and (15) incurrence of a financial obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the City, any of which reflect financial difficulties. (Neither the Certificates nor the Ordinance makes any provision for a bond trustee, debt service reserves or credit enhancement.) As used above in item (12), the phrase "bankruptcy, insolvency, receivership or similar event" means the appointment of a receiver, fiscal agent or similar officer for the City in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court of governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if jurisdiction has been assumed by leaving the existing City Council and officials or officers of the City 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 Rule 15c2-12 (the "Rule") of the SEC) has been provided to the MSRB consistent with the Rule.

In addition, the City will provide timely notice of any failure by the City to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

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

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

COMPLIANCE WITH PRIOR UNDERTAKINGS . . During the last five years, the City has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

OTHER INFORMATION

RATINGS

The Certificates and the presently outstanding tax supported debt of the City are rated “AA-” by S&P and “AA” by Fitch, without regard to credit enhancement. An explanation of the significance of such ratings may be obtained from the company furnishing the rating. The ratings reflect only the respective views of such organizations and the City makes no representation as to the appropriateness of the ratings. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by either of such rating companies, if in the judgment of either company circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Certificates.

LITIGATION

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

REGISTRATION AND QUALIFICATION OF CERTIFICATES FOR SALE

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

LEGAL INVESTMENTS AND ELIGIBILITY TO SECURE PUBLIC FUNDS IN TEXAS

Section 1201.041 of the Public Security Procedures Act (Chapter 1201, Texas Government Code, as amended) provides that the Certificates are negotiable instruments governed by Chapter 8, Texas Business and Commerce Code, as amended, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. With respect to investment in the Certificates by municipalities or other political subdivisions or public agencies of the State of Texas, the PFIA requires that the Certificates be assigned a rating of “A” or its equivalent as to investment quality by a national rating agency. See “Other Information - Ratings” herein. In addition, various provisions of the Texas Finance Code provide that, subject to a prudent investor standard, the Certificates are legal investments for state banks, savings banks, trust companies with at capital of one million dollars or more, and savings and loan associations. The Certificates are eligible to secure deposits of any public funds of the State, its agencies, and its political subdivisions, and are legal security for those deposits to the extent of their market value. No review by the City has been made of the laws in other states to determine whether the Certificates are legal investments for various institutions in those states.

LEGAL MATTERS

The City will furnish to the Initial Purchaser a complete transcripts of proceedings had incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinions of the Attorney General of Texas approving the Certificates and to the effect that the Certificates are valid and legally binding obligations of the City, and based upon examination of such transcript of proceedings, the approving legal opinions of Bond Counsel, to like effect, and to the effect that the interest on the Certificates will be excludable from gross income for federal income tax purposes under Section 103(a) of the Code, subject to the matters described under "TAX MATTERS" herein. Though it may represent the Financial Advisor and the Initial Purchaser from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel has been engaged by and only represents the City in connection with the issuance of the Certificates. The customary closing papers, including a certificate to the effect that no litigation of any nature has been filed or is then pending to restrain the issuance and delivery of the Certificates which would affect the provision made for their payment or security, or in any manner questioning the validity of said Certificates will also be furnished. Bond Counsel was not requested to participate, and did not take part, in the preparation of the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement, and such firm has not assumed any responsibility with respect thereto or undertaken independently to verify any of the information contained herein, except that, in its capacity as Bond Counsel, such firm has reviewed the information describing the Certificates in the Notice of Sale and Bidding Instructions, the Official Bid Form and the Official Statement to verify that such information conforms to the provisions of the Ordinance.

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

FINANCIAL ADVISOR

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

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

INITIAL PURCHASER

After requesting competitive bids for the Certificates, the City accepted the bid of SAMCO Capital Markets, Inc. (the "Initial Purchaser") to purchase the Certificates at the interest rates shown on page 2 of this Official Statement at a price of $17,636,833.63, which produces compensation to the Initial Purchaser in the amount of $73,304.87. The Initial Purchaser can give no assurance that any trading market will be developed for the Certificates after their sale by the City to the Initial Purchaser. The initial yields shown on page 2 of this Official Statement will be established by and are the sole responsibility of the Initial Purchaser and may subsequently be changed at the sole discretion of the Initial Purchaser. The City has no control over the determination of the initial yields and has no control over the prices at which the Certificates are sold in the secondary market.

FORWARD-LOOKING STATEMENTS DISCLAIMER

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

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

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

The Ordinance will also approve the form and content of this Official Statement, and any addenda, supplement or amendment thereto, and authorize its further use in the reoffering of the Certificates by the Initial Purchaser.

/s/ JANET GOTT
Mayor
City of Denison, Texas

ATTEST:

/s/ CHRISTINE WALLENTINE
City Clerk
City of Denison, Texas

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APPENDIX A

GENERAL INFORMATION REGARDING THE CITY

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THE CITY

LOCATION . . . The City of Denison is located in northeastern Grayson County, 75 miles north of Dallas on U.S. Highway 75, approximately four miles south of the Texas-Oklahoma border. State Highway 120 passes directly through the City from east to west, and State Highway 84 runs along the northern part of the City providing direct access to Lake Texoma. The City's southern limits adjoin the northern limits of the City of Sherman.

POPULATION AND ECONOMY . . . The City's 2010 census population was 22,682, with the City estimating its 2020 population at 25,340. The City is experiencing stable growth due to the City's diversified economy and its proximity to Lake Texoma, a source of water and recreation. The City's economic base consists of light manufacturing industries, retail stores and tourism. Denison is part of a metropolitan area which boasts the largest trade center between Oklahoma City, approximately 125 miles to the north, and Dallas, approximately 75 miles to the south.

FINANCIAL . . . The City is served by four banks, Independent Bank, JPMorgan Chase Bank, First United Bank and Simmons Bank.

CONSTRUCTION . . . Total value of building permits issued during the past five years is as follows:

Calendar Year	Number of Permits	Value
2016	1,955	$ 41,011,667
2017	2,117	99,780,841
2018	2,019	75,678,164
2019	2,311	76,290,570
2020	1,870	106,623,025

TRANSPORTATION . . . The City of Denison is presently served by three railroads, Union Pacific, Burlington Northern and the Missouri Pacific. Motor freight service is provided by 15 major common carriers. Bus service is provided by Greyhound/Trailways Bus System. Highway transportation is provided by two major highways, U.S. Highway 75, running north and south, and U.S. Highway 82 running east and west.

Dallas-Fort Worth International Airport is located approximately 75 miles south of Denison. Airmotor freight service is provided twice daily to Denison. Grayson County Airport is located in the Denison area and has a lighted, 11,900 foot runway with services available for jet aircraft as well as commuter aircraft.

EDUCATION . . . The Denison Independent School District provides educational facilities for the City. There are five elementary schools, one intermediate school, one middle school and two senior high schools. The projected 2019/20 enrollment is 4,732 students.

Grayson College, provides a balanced curriculum of courses, and is located only four miles from downtown Denison. Three four-year colleges are also located in the area: Austin College (Sherman, Texas), Southeastern Oklahoma State University (Durant, Oklahoma, approximately 20 miles north of Denison), and Texas A&M University-Commerce (Commerce, Texas, approximately 57 miles from Denison).

PARKS AND RECREATION . . . Lake Texoma, located four miles north of Denison, offers 100,000 surface acres and 600 miles of shoreline, and attracts over 9 million visitors annually. The Cross Timbers Hiking Trail winds 14 miles along the shoreline with both developed and wilderness campsites. An excellent lake for fishing, Texoma boasts records of 123-pound catfish and 35-pound bass.

Eisenhower State Park includes 463 acres and provides improved and wilderness campsites, picnicking areas, and has one of 13 marinas strategically located along the Texas shoreline of Lake Texoma.

The City of Denison manages 16 public parks containing 530 acres. There are 12 multi-purpose fields, 11 softball/baseball fields, and a year-round covered swimming pool within the City. In addition, the Denison area offers an indoor practice facility for baseball/softball and a senior citizens center.

HEALTH SERVICES . . . Located in the City is the Texoma Medical Center, the largest and most comprehensive medical facility between Dallas and Oklahoma City, employing approximately 3,000 persons. The Center serves a 20-county area of North Texas and Southern Oklahoma which includes a population of nearly 300,000 people. The Center opened in March 1965, operates 326 beds, provides 24 hour physician services in its emergency unit and provides practically all medical and surgical specialties and subspecialties.

Employment Statistics

	Average Annual				
	2020[1]	2019	2018	2017	2016
Grayson County					
Civilian Labor Force	63,557	64,106	63,270	61,945	61,180
Total Employment	59,791	62,148	61,205	59,749	58,827
Total Unemployed	3,766	1,958	2,065	2,196	2,353
Percent Unemployed	5.9%	3.1%	3.3%	3.5%	3.8%
State of Texas					
Civilian Labor Force	13,920,622	14,045,312	13,816,690	13,574,795	13,335,578
Total Employment	12,857,805	13,551,791	13,285,118	12,989,682	12,720,226
Total Unemployed	1,062,818	493,521	531,572	585,113	615,352
Percent Unemployed	7.6%	3.5%	3.8%	4.3%	4.6%

Source: Texas Workforce Commission, Austin, Texas.
(1) Averages through October 2020.

APPENDIX B

EXCERPTS FROM THE

CITY OF DENISON, TEXAS

ANNUAL FINANCIAL REPORT

For the Year Ended September 30, 2019

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

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BROOKSWATSON & CO.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council
City of Denison, Texas:

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the financial statements of the Denison Business and Industrial Corporation, component unit of the City, which represents 76%, 73%, and 96%, respectively, of the assets, net position, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Denison Business and Industrial Corporation, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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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 opinion.

Opinion

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 units, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Accounting Errors

As discussed in Note V.I to the financial statements, the City restated the beginning net position, and the resective fund balances, within government activities, business-type activities, the general fund, general bond fund, nonmajor governmental funds and the utility fund to properly reflect corrections of accounting errors in the prior year. Our opinion is not modified with respect to this matter.

Component Unit Yearend

As discussed in Note I.B to the financial statements, the discretely presented component unit, Denison Community Investment Corporation, maintains financial records ending December 31, 2018.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, general fund budgetary comparison information, schedule of changes in net pension liabilities and related ratios, and schedule of employer contributions to the pension plans, 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 an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

This accompanying supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and re conciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

BrooksWatson & Co.

BrooksWatson & Co., PLLC
Certified Public Accountants
Houston, Texas
March 11, 2020

Denison
TEXAS

The purpose of the Management's Discussion and Analysis (the "MD&A") is to give the readers an objective and easily readable analysis of the City of Denison's financial activities for the year ending September 30, 2019. The analysis is based on currently known facts, decisions, or economic conditions. It presents short and long-term analysis of the City's activities, compares current-year results with those of the prior year, and discusses the positive and negative aspects of that comparison. GASB Statement No. 34 establishes the content of the minimum requirements for the MD&A. Please read the MD&A in conjunction with the City's financial statements, which follow this section.

The annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. This financial reporting model requires governments to present certain basic financial statements as well as an MD&A and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

Financial Highlights

- The City's total combined net position was $60,330,053 at September 30, 2019. Of this, $2,683,141 (unrestricted net position) may be used to meet the City's ongoing obligations to its citizens and creditors.

- At the close of the current fiscal year, the City's governmental funds reported combined fund balances of $9,707,270, a decrease of $1,238,570. This decrease is primarily due to significant capital expenditures during the current year.

- As of the end of the year, the unassigned fund balance of the general fund was $6,251,513 or 21% of total general fund expenditures.

- The City had an overall increase in net position of $190,914.

- The City's net pension liabilities totaled $14,685,575 as of year end.

Overview of Financial Statements

The discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) the notes to financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Statements

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

The *statement of net position* presents information on all of the City's assets and liabilities. The difference between the two is reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. Other non-financial factors, such as the City's property tax base and the condition of the City's infrastructure, need to be considered in order to assess the overall health of the City.

The *statement of activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, public services, culture and recreation, and public works. The business-type activities of the City include water and sewer operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the legally separate Denison Business and Industrial Corporation, Denison Community Investment Corporation, and the Denison Public Library Endowment Fund, for which the City is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

FUND FINANCIAL STATEMENTS

Funds may be considered as operating companies of the parent corporation, which is the City of Denison. They are usually segregated for specific activities or objectives. The City of Denison uses fund accounting to ensure and demonstrate compliance with finance-related legal reporting requirements. The categories of City funds are governmental, proprietary, and fiduciary.

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 year. Such information may be useful in evaluating the City's near-term financing requirements.

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

The City of Denison maintains twenty-three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is considered to be a major fund, and the aggregate nonmajor funds.

The City of Denison adopts an annual appropriated budget for its general, general bonds, debt service, special revenue, and utility funds. Budgetary comparison schedules have been provided to demonstrate compliance with these budgets.

Proprietary Funds

The City maintains one type of proprietary fund. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses an enterprise fund to account for its water distribution, wastewater collection/treatment, and water construction operations. The basic proprietary fund financial statements can be found in the basic financial statements of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two fiduciary fund. The police seizure fund is an agency fund that accounts for assets seized by the police department in which the City holds in a custodial capacity. The sister city fund is an agency fund that accounts for assets donated to a local nonprofit, which the City holds in a custodial capacity.

Notes to Financial Statements

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

Other Information

In addition to the basic financial statements, MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes a budgetary comparison schedule for the general fund and schedule of funding progress for Texas Municipal Retirement System and the Firemen's Relief and Retirement fund. RSI can be found after the basic financial statements.

The combining statements referred to earlier in connection with nonmajor governmental funds and discretely presented component units are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted previously, net position may serve over time as a useful indicator of the City's financial position. For the City of Denison, assets exceed liabilities by $60,330,053 as of September 30, 2019, in the primary government.

The largest portion of the City's net position, $56,001,514, reflects its investments in capital assets (e.g., land, city hall, police station, streets, and drainage systems, as well as the public works facilities), less any debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities. Long-term assets for both governmental and business-type activities increased over the prior year primarily as a result of increased investment in ongoing city projects.

The most significant change in governmental activities resulted in a significant decrease in cash on hand. The majority of the bond proceeds received in the prior periods were spent in the current year, which resulted in a large decrease in current assets when compared to the prior year.

Business-type activities experienced an increase in long-term debt due to the issuance of $5,255,000 of certificates of obligation.

Deferred outflow of resources experienced an increase due to the market fluctuation and changes in actuarial assumptions impacting the pension.

Statement of Net Position:

The following table reflects the condensed Statement of Net Position:

	2019			2018		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
Current and other assets	$ 12,422,046	$ 17,199,445	$ 29,621,491	$ 15,272,496	$ 13,332,052	$ 28,604,548
Long-term assets	57,359,754	47,228,294	104,588,048	57,901,426	44,913,021	102,814,447
Total Assets	69,781,800	64,427,739	134,209,539	73,173,922	58,245,073	131,418,995
Deferred Outflows of Resources	4,705,911	1,068,250	5,774,161	1,358,943	333,640	1,692,583
Other liabilities	5,287,175	3,517,229	8,804,404	6,517,610	3,431,255	9,948,865
Long-term liabilities	32,354,096	37,483,800	69,837,896	27,119,302	32,691,503	59,810,805
Total Liabilities	37,641,271	41,001,029	78,642,300	33,636,912	36,122,758	69,759,670
Deferred Inflows of Resources	955,370	55,977	1,011,347	2,677,593	535,176	3,212,769
Net Position:						
Net investment in capital assets	37,535,804	18,465,710	56,001,514	36,540,463	18,388,440	54,928,903
Restricted	1,645,398	-	1,645,398	773,847	-	773,847
Unrestricted	(3,290,132)	5,973,273	2,683,141	904,050	3,532,339	4,436,389
Total Net Position	$ 35,891,070	$ 24,438,983	$ 60,330,053	$ 38,218,360	$ 21,920,779	$ 60,139,139

City of Denison, Texas

MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued

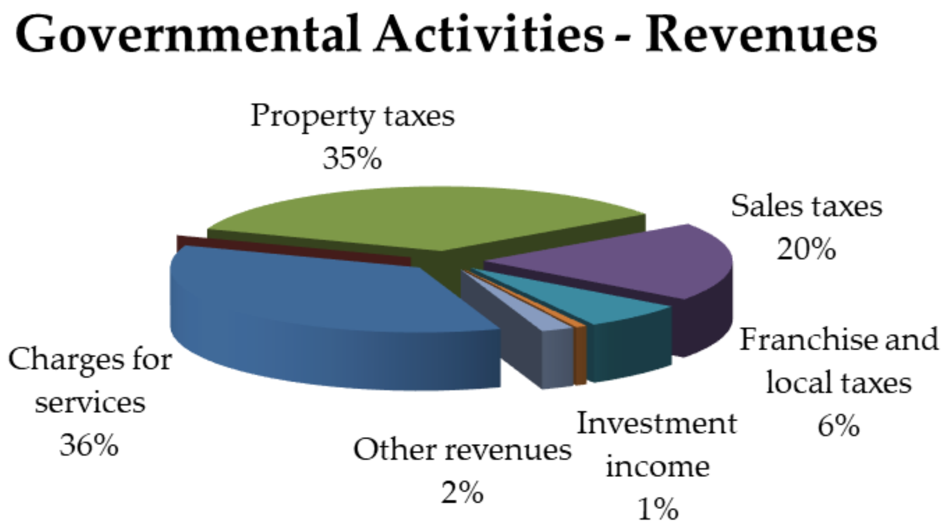
September 30, 2019

Statement of Activities:

The following table provides a summary of the City's changes in net position:

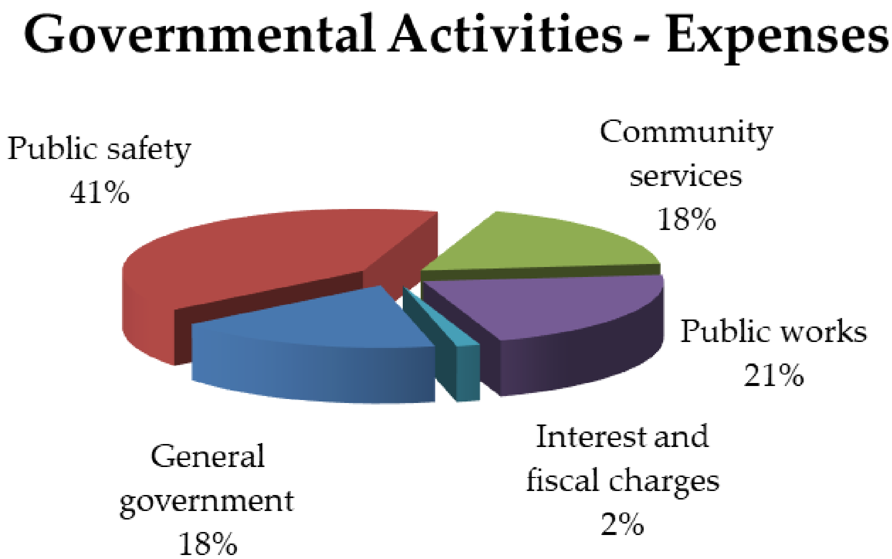
	For the Year Ended September 30, 2019			For the Year Ended September 30, 2018		
	Governmental Activities	Business-Type Activities	Total Primary Government	Governmental Activities	Business-Type Activities	Total Primary Government
Revenues						
Program revenues:						
Charges for services	$ 10,347,686	$ 12,783,394	$ 23,131,080	$ 10,437,774	$ 12,555,348	$ 22,993,122
Operating grants and contributions	449,370	-	449,370	819,419	-	819,419
General revenues:						
Property taxes	10,049,035	-	10,049,035	8,981,119	-	8,981,119
Sales taxes	5,710,960	-	5,710,960	5,591,271	-	5,591,271
Franchise and local taxes	1,935,460	-	1,935,460	1,936,874	-	1,936,874
Investment income	216,726	285,187	501,913	163,508	108,868	272,376
Other revenues	624,662	-	624,662	616,222	-	616,222
Total Revenues	29,333,899	13,068,581	42,402,480	28,546,187	12,664,216	41,210,403
Expenses						
General government	5,674,881	-	5,674,881	5,592,849	-	5,592,849
Public safety	12,903,441	-	12,903,441	11,341,795	-	11,341,795
Community services	5,776,713	-	5,776,713	4,055,461	-	4,055,461
Public works	6,804,281	-	6,804,281	6,324,708	-	6,324,708
Interest and fiscal charges	506,897	1,207,345	1,714,242	538,988	1,027,169	1,566,157
Water & sewer	-	9,338,008	9,338,008	-	8,744,362	8,744,362
Total Expenses	31,666,213	10,545,353	42,211,566	27,853,801	9,771,531	37,625,332
Change in Net Position Before Transfers	(2,332,314)	2,523,228	190,914	692,386	2,892,685	3,585,071
Transfers	5,024	(5,024)	-	1,539,284	(1,539,284)	-
Total	5,024	(5,024)	-	1,539,284	(1,539,284)	-
Change in Net Position	(2,327,290)	2,518,204	190,914	2,231,670	1,353,401	3,585,071
Beginning Net Position	38,218,360	21,920,779	60,139,139	35,986,690	20,567,378	56,554,068
Ending Net Position	$ 35,891,070	$ 24,438,983	$ 60,330,053	$ 38,218,360	$ 21,920,779	$ 60,139,139

Graphic presentations of selected data from the summary tables are displayed below to assist in the analysis of the City's activities.



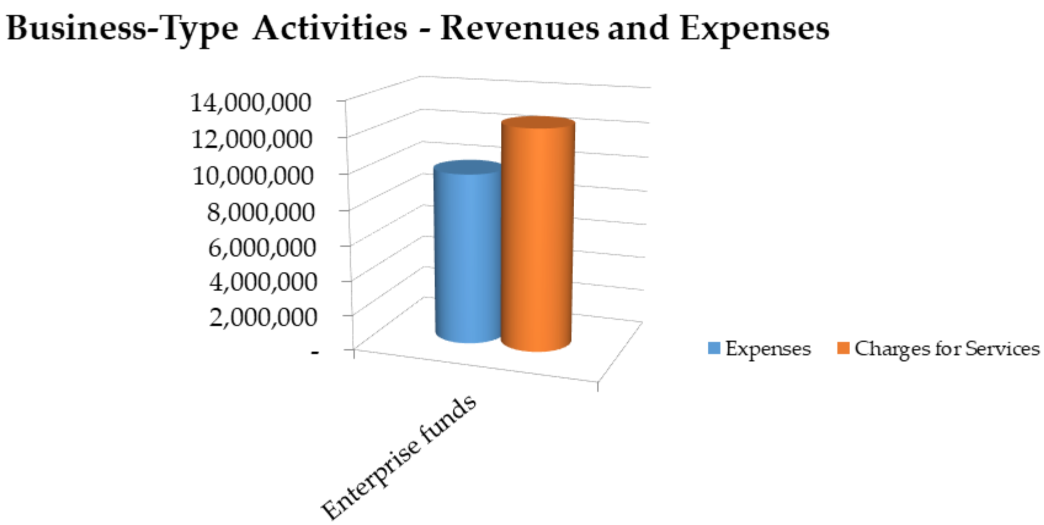
For the year ended September 30, 2019, revenues from governmental activities totaled $29,333,899. Charges for services, property tax, and sales tax are the City's largest revenue sources. Grants and contributions decreased by $370,049 or 45% due primarily to nonrecurring intergovernmental funds received in the previous year. Property taxes increased by $1,067,916 or 12% due to an increase in assessed values. Sales taxes increased $119,689 or 2% due to continued development and economic growth in the area. Investment income increased $53,218 or 33% due to higher balances held in interest bearing accounts during the year. All other revenues remained relatively stable when compared to the previous year.

This graph shows the governmental function expenses of the City:



For the year ended September 30, 2019, expenses for governmental activities totaled $31,666,213. This represents an increase of $3,812,412 or 14% from the prior year. The City's largest functional expense is public safety of $12,903,441. Public safety increased by 14%, primarily due to additional personnel costs and added supplies costs. Community services increased by $1,721,252 or 42% primarily as a result of added mowing and repairs and maintenance costs for parks. Public works increased by $479,573 or 8% due to added personnel costs and higher repairs and maintenance costs. Interest and fiscal charges decreased by $32,091 or 6% primarily due to the nonrecurring debt issuance costs of the certificates of obligation bonds and capital lease agreements entered into in the previous year. All other expenses remained relatively consistent with the previous year.

Business-type activities are shown comparing operating costs to revenues generated by related services.



For the year ended September 30, 2019, charges for services by business-type activities totaled $12,783,394. This is an increase of $228,046, or 2%, from the previous year. The increase is a result of the growth in the City's customer base and an increase in water consumption.

Total expenses increased $773,822 or 8%, primarily due to added interest expenses and repairs and maintenance costs in the current year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

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

As of the end of the year the general fund reflected a total fund balance of $6,966,067. Of this, $106,594 is non-spendable inventories, $220,979 is non-spendable advances, $11,002 is committed to cemetery, $159,596 is committed for contingency and $216,383 is committed to vehicle replacement. Unassigned fund balance totaled $6,251,513 as of year end.

General fund balance decreased by $731,973 due to a planned budget deficit, in addition to receiving less fine and forfeiture revenues than anticipated. Charges for services is the City's largest revenue source at $8,953,765, which consists of refuse, ambulance, and other service charges. Property tax increased by $666,359 when compared to the prior year due to an increase in assessed property values.

Sales tax increased by $119,689 due to growth in the local economy. Public safety expenditures increased by $652,717 due primarily to increased personnel costs and supplies expenses. General government expenditures increased $172,566 due primarily to additional personnel costs in the current year. Community services expenditures increased by $802,978 primarily due to additional personnel costs as well as additional mowing and park maintenance costs.

The general bond fund reflected a total fund balance of $220,572, a decrease of $665,745 from the prior year. The decrease is primarily a result of significant capital expenditures for the downtown design project. In addition, total expenses exceeded intergovernmental revenue and other financing sources in the current year.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

There was a total negative budget variance of $477,743 in the general fund. This is a combination of a negative revenue variance of $399,373, negative expenditure variance $15,002, and negative variance in other financing sources of $63,368.

The original general fund budget surplus of $299,707 was amended during the year to a final budgeted deficit of $254,230. Significant amendments include an increase in the fire, police and garage departments for personnel costs and repairs and maintenance. Several other reclassifications and amendments were also made.

CAPITAL ASSETS

As of the end of the year, the City's governmental activities funds had invested $53,392,159 in a variety of capital assets and infrastructure, net of accumulated depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34. The City's business-type activities funds had invested $47,228,294 in a variety of capital assets and infrastructure, net of accumulated depreciation.

Major capital asset events during the current year include the following additions:

- Purchase of new siren system totaling $187,542.
- Purchase of four new automated sanitation trucks totaling $1,153,071.
- Purchase of new sanitation equipment totaling $536,470.
- Street improvements totaling $234,217.
- Construction in progress related to the THF Park sports complex amounting to $889,889.
- Construction in progress for the downtown design project totaling $781,178.
- Construction in progress for the water and sewer line improvements totaling $1,635,027.
- New vehicles and equipment for water distribution department totaling $219,561.

More detailed information about the City's capital assets is presented in note IV. D to the financial statements.

LONG-TERM DEBT

At the end of the current year, the City had total bonds, notes payable, tax notes, and capital leases outstanding of $55,973,674. During the year, the City had payments on long-term totaling $3,968,763. Additions to long-term debt include capital leases totaling $1,171,387 and certificates of obligation totaling $8,255,000. More detailed information about the City's long-term liabilities is presented in note IV. E to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Mayor and City Council are committed to maintaining and improving the overall wellbeing of the City of Denison and improving services provided to their public citizens. The City is budgeting for growth in the upcoming year.

The following known factors were considered in preparing the City's operating budget for fiscal year 2019-2020:

- The fiscal year 2020 budget will raise more total property taxes than last year's budget by $646,553 (7.93%). Of that amount, $399,275 is tax revenue to be raised from new property added to the tax roll.

- The adopted property tax rate for fiscal year 2019-2020 has increased to $0.652034 per $00 valuation, from the prior year rate of $0.633377 per $100 valuation.

- Sales tax receipts were up in fiscal year 2019, and we expect an increase in fiscal year 2020 as well.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the City of Denison's finances for all those with an interest in the City's finances. Questions concerning this report or requests for additional financial information should be directed to the Director of Finance & Administrative Services, 300 West Main Street, P.O. Box 347, Denison, Texas 75021.

Denison
TEXAS

FINANCIAL STATEMENTS

City of Denison, Texas

STATEMENT OF NET POSITION (Page 1 of 2)

September 30, 2019

	Primary Government			
	Governmental Activities	Business-Type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 6,517,242	$ 13,658,699	$ 20,175,941	$ 2,756,883
Investments	-	906,254	906,254	-
Restricted assets - cash	1,151,574	407,073	1,558,647	157,223
Restricted assets - investments	-	-	-	740,032
Receivables, net	3,617,601	2,066,784	5,684,385	397,324
Inventory	106,594	160,635	267,229	-
Current portion of grant receivables	793,519	-	793,519	-
Notes receivable	-	-	-	114,529
Interest in net position of recipient	235,516	-	235,516	-
Total Current Assets	12,422,046	17,199,445	29,621,491	4,165,991
Investments	-	-	-	482,336
Notes receivable - long-term portion	-	-	-	550,367
Long-term grant receivables	3,967,595	-	3,967,595	-
Capital assets:				
Non-depreciable	4,484,429	2,624,057	7,108,486	1,687,842
Net depreciable capital assets	48,907,730	44,604,237	93,511,967	3,077,221
Total Noncurrent Assets	57,359,754	47,228,294	104,588,048	5,797,766
Total Assets	69,781,800	64,427,739	134,209,539	9,963,757
Deferred Outflows of Resources				
Pension contributions	1,195,125	257,604	1,452,729	-
Pension investment earnings	3,506,753	767,296	4,274,049	-
Pension experience vs assumption	4,033	1,284	5,317	-
Deferred charge on bond refunding	-	42,066	42,066	-
Total Deferred Outflows of Resources	4,705,911	1,068,250	5,774,161	-

City of Denison, Texas

STATEMENT OF NET POSITION (Page 2 of 2)

September 30, 2019

	Primary Government			
	Governmental Activities	**Business-Type Activities**	**Total**	**Component Units**
Liabilities				
Accounts payable and accrued liabilities	1,040,410	426,465	1,466,875	88,883
Customer deposits	-	420,714	420,714	-
Escrow payable	-	-	-	31,701
Accrued interest payable	74,729	267,162	341,891	3,495
Compensated absences - current	1,408,387	299,649	1,708,036	7,709
Landfill post closure costs - current	30,404	-	30,404	-
Long-term liabilities due within one year	2,733,245	2,103,239	4,836,484	571,533
Total Current Liabilities	5,287,175	3,517,229	8,804,404	703,321
Noncurrent liabilities:				
Net pension liability	12,757,441	1,928,134	14,685,575	-
Compensated absences - noncurrent	1,334,030	246,385	1,580,415	69,382
Landfill post closure costs - noncurrent	56,432	-	56,432	-
Due in more than one year	18,206,193	35,309,281	53,515,474	396,000
Total Noncurrent Liabilities	32,354,096	37,483,800	69,837,896	465,382
Total Liabilities	37,641,271	41,001,029	78,642,300	1,168,703
Deferred Inflows of Resources				
Pension experience	955,370	55,977	1,011,347	-
Total Deferred Inflows of Resources	955,370	55,977	1,011,347	-
Net Position				
Net investment in capital assets	37,535,804	18,465,710	56,001,514	3,873,062
Restricted for:				
Capital improvements	719,407	-	719,407	-
Debt service	630,144	-	630,144	13,257
Municipal court	19,185	-	19,185	-
Public safety	130,005	-	130,005	-
Library	146,657	-	146,657	-
Unrestricted	(3,290,132)	5,973,273	2,683,141	4,908,735
Total Net Position	$ 35,891,070	$ 24,438,983	$ 60,330,053	$ 8,795,054

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	$ 5,674,881	$ 1,418,334	$ 449,370	$ -
Public safety	12,903,441	1,829,812	-	-
Community services	5,776,713	1,688,766	-	-
Public works	6,804,281	5,410,774	-	-
Interest and fiscal charges	506,897	-	-	-
Total Governmental Activities	31,666,213	10,347,686	449,370	-
Business-Type Activities				
Water & Sewer	10,545,353	12,783,394	-	-
Total Business-Type Activities	10,545,353	12,783,394	-	-
Total Primary Government	$ 42,211,566	$ 23,131,080	$ 449,370	-
Component units:				
Business and Industrial Corporation	1,869,478	496,391	-	20,092
Denison Public Library Endowment Fund	68,377	-	10,620	-
Denison Community Investment Corp.	23,516	-	-	-
Total Component Units	$ 1,961,371	$ 496,391	$ 10,620	$ 20,092

General Revenues:

Taxes

Property taxes

Sales taxes

Franchise and local taxes

Investment income

Other revenues

Transfers

Total General Revenues and Transfers

Change in Net Position

Beginning Net Position

Ending Net Position

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units
$ (3,807,177)	$ -	$ (3,807,177)	$ -
(11,073,629)	-	(11,073,629)	-
(4,087,947)	-	(4,087,947)	-
(1,393,507)	-	(1,393,507)	-
(506,897)	-	(506,897)	-
(20,869,157)	-	(20,869,157)	-
-	2,238,041	2,238,041	-
-	2,238,041	2,238,041	-
$ (20,869,157)	$ 2,238,041	$ (18,631,116)	$ -
-	-	-	(1,352,995)
-	-	-	(57,757)
-	-	-	(23,516)
$ -	$ -	$ -	$ (1,434,268)
10,049,035	-	10,049,035	-
5,710,960	-	5,710,960	1,903,653
1,935,460	-	1,935,460	-
216,726	285,187	501,913	121,661
624,662	-	624,662	3,445
5,024	(5,024)	-	-
18,541,867	280,163	18,822,030	2,028,759
(2,327,290)	2,518,204	190,914	594,491
38,218,360	21,920,779	60,139,139	8,200,563
$ 35,891,070	$ 24,438,983	$ 60,330,053	$ 8,795,054

City of Denison, Texas

BALANCE SHEET (Page 1 of 2)

GOVERNMENTAL FUNDS

September 30, 2019

	General	General Bond	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	$ 4,565,862	$ 153,532	$ 1,797,848	$ 6,517,242
Restricted assets - cash	-	192,774	958,800	1,151,574
Receivables, net	8,221,626	-	157,089	8,378,715
Due from other funds	75,965	-	-	75,965
Inventory	106,594	-	-	106,594
Advances to other funds	220,979	-	-	220,979
Interest in net position of recipient organization	-	-	235,516	235,516
Total Assets	$ 13,191,026	$ 346,306	$ 3,149,253	$ 16,686,585
Liabilities				
Accounts payable and accrued liabilities	$ 655,707	$ 125,734	$ 258,969	$ 1,040,410
Due to other funds	-	-	75,965	75,965
Advances from other funds	-	-	220,979	220,979
Total Liabilities	655,707	125,734	555,913	1,337,354
Deferred Inflows of Resources				
Unavailable revenue - property taxes	397,396	-	72,709	470,105
Unavailable revenue - franchise taxes	38,560	-	-	38,560
Unavailable revenue - fines and forfeitures	62,771	-	-	62,771
Unavailable revenue - grants	4,761,114	-	-	4,761,114
Unavailable revenue - contractual services	309,411	-	-	309,411
Total Deferred Inflows of Resources	5,569,252	-	72,709	5,641,961

City of Denison, Texas

BALANCE SHEET (Page 2 of 2)

GOVERNMENTAL FUNDS

September 30, 2019

Fund Balances				
Nonspendable:				
Inventory	106,594	-	-	106,594
Advances	220,979	-	-	220,979
Restricted for:				
Debt service	-	-	630,144	630,144
Capital improvements	-	220,572	498,835	719,407
Municipal court	-	-	19,185	19,185
Public safety	-	-	130,005	130,005
Community services	-	-	146,657	146,657
Committed to:				
Parks	-	-	299,052	299,052
Cemetery	11,002	-	-	11,002
Contingency	159,596	-	-	159,596
General government	-	-	7,334	7,334
Capital projects	-	-	628,961	628,961
Vehicle replacement	216,383	-	-	216,383
Assigned to:				
Capital projects	-	-	235,516	235,516
Unassigned reported in:				
General fund	6,251,513	-	(75,058)	6,176,455
Total Fund Balances	6,966,067	220,572	2,520,631	9,707,270
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	$ 13,191,026	$ 346,306	$ 3,149,253	$ 16,686,585

See Notes to Financial Statements.

Denison
TEXAS

City of Denison, Texas

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION GOVERNMENTAL FUNDS

September 30, 2019

Fund Balances - Total Governmental Funds	$	9,707,270
Adjustments for the Statement of Net Position:		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Capital assets - non-depreciable		4,484,429
Capital assets - net depreciable		48,907,730
Deferred outflows of resources, represent a consumption of net position that applies to a future period(s) and is not recognized as an outflow of resources (expenditure) until then.		
Pension contributions		1,195,125
Pension investment returns		(955,370)
Pension experience vs assumptions		4,033
Pension experience		3,506,753
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the governmental funds.		
Unavailable revenue items		880,847
THF grant receivable		4,761,114
Some liabilities, including bonds payable and deferred charges, are not reported as liabilities in the governmental funds.		
Accrued interest		(74,729)
Compensated absences		(2,742,417)
Bond premium		(302,617)
Bonds, notes and other payables		(20,636,821)
Landfill post-closure care costs		(86,836)
Net pension liability - firefighter's pension fund		(6,701,845)
Net pension liability - TMRS		(6,055,596)
Net Position of Governmental Activities	$	35,891,070

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

GOVERNMENTAL FUNDS

For the Year Ended September 30, 2019

	General	General Bond	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Property tax	$ 8,000,437	$ -	$ 2,039,632	$ 10,040,069
Sales tax	5,710,960	-	-	5,710,960
Franchise and local taxes	1,935,460	-	-	1,935,460
License and permits	607,804	-	-	607,804
Intergovernmental	-	797,349	445,540	1,242,889
Charges for services	8,953,765	-	607,083	9,560,848
Fines and forfeitures	305,184	-	95,363	400,547
Investment income	140,681	19,481	56,564	216,726
Other revenue	231,740	-	392,922	624,662
Total Revenues	25,886,031	816,830	3,637,104	30,339,965
Expenditures				
Current:				
General government	4,786,107	6,512	463,497	5,256,116
Public safety	11,205,462	-	413,288	11,618,750
Community services	4,906,720	1,020,141	541,209	6,468,070
Public works	6,122,972	-	259,188	6,382,160
Capital outlay	1,930,895	-	468,565	2,399,460
Debt Service:				
Principal	740,096	715,000	1,201,399	2,656,495
Interest and fiscal charges	63,126	108,653	359,698	531,477
Total Expenditures	29,755,378	1,850,306	3,706,844	35,312,528
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,869,347)	(1,033,476)	(69,740)	(4,972,563)
Other Financing Sources (Uses)				
Transfers in	1,913,923	367,731	670,000	2,951,654
Transfers (out)	(664,049)	-	(441,112)	(1,105,161)
Lease proceeds	1,887,500	-	-	1,887,500
Total Other Financing Sources (Uses)	3,137,374	367,731	228,888	3,733,993
Net Change in Fund Balances	(731,973)	(665,745)	159,148	(1,238,570)
Beginning fund balances	7,698,040	886,317	2,361,483	10,945,840
Ending Fund Balances	$ 6,966,067	$ 220,572	$ 2,520,631	$ 9,707,270

See Notes to Financial Statements.

City of Denison, Texas

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:		
Net changes in fund balances - total governmental funds	$	(1,238,570)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay		3,933,865
Depreciation expense		(1,787,895)
Net effect of capital asset transfers and disposals		(1,894,123)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Unavailable revenues		(212,547)
THF grant revenue		(793,519)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		(155,018)
Pension expense - TMRS		(690,736)
Pension expense - Firemen's pension		(314,450)
Accrued interest		(14,050)
The issuance of long-term debt (e.g., bonds, leases, certificates of obligation) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when they are first issued; whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Amortization of premium		38,628
Issuance of debt		(1,887,500)
Principal payments		2,656,497
Landfill post-closure cost		32,128
Change in Net Position of Governmental Activities	$	(2,327,290)

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF NET POSITION

PROPRIETARY FUND

September 30, 2019

	Utility Fund
Assets	
Current Assets	
Cash and cash equivalents	$ 13,658,699
Investments	906,254
Receivables, net	2,066,784
Inventory	160,635
Restricted assets - cash	407,073
Total Current Assets	17,199,445
Noncurrent Assets	
Capital assets:	
Non-depreciable	2,624,057
Net depreciable capital assets	44,604,237
Total Assets	64,427,739
Deferred Outflows of Resources	
Pension contributions	257,604
Pension investment returns	767,296
Pension experience vs assumption	1,284
Deferred charge on bond refunding	42,066
Total Deferred Outflows of Resources	1,068,250
Liabilities	
Current Liabilities	
Accounts payable and accrued liabilities	426,465
Customer deposits	420,714
Accrued interest	267,162
Compensated absences - current	299,649
Long-term liabilities due within one year	2,103,239
Total Current Liabilities	3,517,229
Long-term Liabilities	
Compensated absences - noncurrent	246,385
Long-term liabilities in more than one year	35,309,281
Net pension liability	1,928,134
Total Long-term Liabilities	37,483,800
Deferred Inflows of Resources	
Pension investment experience	55,977
Total Deferred Inflows of Resources	55,977
Net Position	
Net investment in capital assets	18,465,710
Unrestricted	5,973,273
Total Net Position	$ 24,438,983

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND

For the Year Ended September 30, 2019

	Utility Fund
Operating Revenues	
Charges for services	$ 12,624,603
Other revenue	158,791
Total Operating Revenues	12,783,394
Operating Expenses	
Personnel services	3,841,555
Supplies and materials	1,325,500
Contractual services	2,069,585
Repairs and maintenance	626,421
Depreciation	1,474,947
Total Operating Expenses	9,338,008
Operating Income	3,445,386
Nonoperating Revenues (Expenses)	
Investment income	285,187
Bond issuance expense	(150,777)
Interest expense	(1,056,568)
Total Nonoperating Revenues (Expenses)	(922,158)
Income Before Capital Contributions and Transfers	2,523,228
Transfers (out)	(1,846,493)
Capital contributions from governmental activities	1,841,469
Total Capital Contributions and Transfers	(5,024)
Change in Net Position	2,518,204
Beginning net position	21,920,779
Ending Net Position	$ 24,438,983

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 1 of 2)

For the Year Ended September 30, 2019

	Utility Fund
Cash Flows from Operating Activities	
Receipts from customers	$ 13,115,564
Payments to suppliers and service providers	(4,021,506)
Payments to employees for salaries and benefits	(3,911,092)
Net Cash Provided by Operating Activities	5,182,966
Cash Flows from Noncapital Financing Activities	
Transfer (out)	(1,846,493)
Net Cash (Used) by Noncapital Financing Activities	(1,846,493)
Cash Flows from Capital and Related Financing Activities	
Capital purchases	(1,949,976)
Capital disposals	1,225
Proceeds from bond issuance	5,685,713
Bond issuance costs	(85,713)
Principal paid on debt	(1,845,937)
Interest paid on debt	(1,227,409)
Net Cash Provided (Used) by Capital and Related Financing Activities	577,903
Cash Flows from Investing Activities	
Interest on investments	285,187
Purchase of investments	(898,000)
Proceeds from sales and maturities of investments	291,746
Net Cash Provided by Investing Activities	(321,067)
Net Increase (Decrease) in Cash and Cash Equivalents	3,593,309
Beginning cash and cash equivalents	10,472,463
Ending Cash and Cash Equivalents	$ 14,065,772

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF CASH FLOWS

PROPRIETARY FUND (Page 2 of 2)

For the Year Ended September 30, 2019

		Utility Fund
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating Income	$	3,445,386
Adjustments to reconcile operating income to net cash provided:		
Depreciation		1,474,947
Changes in Operating Assets and Liabilities:		
(Increase) Decrease in:		
Accounts receivable		249,298
Inventory		82,872
Deferred Outflows of Resources:		
Pension contributions		7,233
Pension investment returns		(1,159,555)
Actual experience vs. assumption		67,519
Increase (Decrease) in:		
Accounts payable and accrued liabilities		(165,293)
Compensated absences		(74,427)
Net pension liability		1,341,926
Deferred Inflows of Resources:		
Investment experience		(86,940)
Net Cash Provided by Operating Activities	$	5,182,966
Schedule of Non-Cash Capital and Related Financing Activities		
Capital assets contributed from governmental activities	$	1,841,469

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF NET POSITION

FIDUCIARY FUNDS

September 30, 2019

	Police Seizure Fund	Sister City Fund	Total
Assets			
Cash and cash equivalents	$ 73,752	$ 16,956	$ 90,708
Total Assets	73,752	16,956	90,708
Liabilities			
Other accrued liabilities	73,752	16,956	90,708
Total Liabilities	$ 73,752	$ 16,956	$ 90,708

See Notes to Financial Statements.

City of Denison, Texas

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
FIDUCIARY FUNDS
For the Year Ended September 30, 2019

Police Seizure Fund

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and cash equivalents	$ 55,768	$ 18,002	$ (18)	$ 73,752
Total Assets	55,768	18,002	(18)	73,752
Liabilities				
Other accrued liabilities	55,768	18,002	(18)	73,752
Total Liabilities	$ 55,768	$ 18,002	$ (18)	$ 73,752

Sister City Fund

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and cash equivalents	$ -	$ 33,373	$ (16,417)	$ 16,956
Total Assets	-	33,373	(16,417)	16,956
Liabilities				
Other accrued liabilities	-	33,373	(16,417)	16,956
Total Liabilities	$ -	$ 33,373	$ (16,417)	$ 16,956

See Notes to Financial Statements.

Denison

TEXAS

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Denison, Texas (the "City") is governed by an elected mayor and a six-member council and provides the following services to the citizens of the City as authorized by its charter: public safety (police and fire), public works and transportation, parks and recreation, water and sewer utilities, and general administrative services.

The accounting policies of the City conform to generally accepted accounting principles (GAAP) applicable to government units. The following is a summary of the more significant accounting policies.

A. Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges to external customers for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

B. Reporting Entity

The City is an independent political subdivision of the State of Texas governed by an elected council and a mayor and is considered a primary government. For financial reporting purposes, management has considered all potential component units. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GAAP. The criteria used are as follows:

Financial Accountability – The primary government is deemed to be financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government. Additionally, the primary government may be financially accountable if an organization is fiscally dependent on the primary government and there is a potential for the organization to provide specific financial benefits or impose specific financial burdens on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government or a jointly appointed board.

Discretely Presented Component Units

Business and Industrial Corporation of Denison

The Business and Industrial Corporation of Denison (the "BICD") is a nonprofit corporation established on April 1, 1996, for the economic development activities of the City. Although legally separate from the City, BICD is governed by a Board of Directors appointed by the City Council. BCID is a single-purpose, governmental activity funded by one-half percent sales tax levied on taxable sales within the City of Denison. The nature and significance of the relationship between the primary government and the corporation is such that exclusion would cause the City's financial statements to be misleading or incomplete. Records are maintained on an October 1st through September 30th fiscal year. BICD issues separate financial statements that are available from the BCID administrative offices located at 311 W. Woodard, Denison, Texas. In addition, the fiscal year 2019 financials were audited by a separate audit firm, McClanahan & Homes.

Denison Community Investment Corporation

The Denison Community Investment Corporation (the "DCIC") is a nonprofit corporation established on June 17, 1988, for the economic development activities of the City. Although legally separate from the City, DCIC is governed by a Board of Trustees appointed by the City Council. DCIC is a single-purpose, business-type activity. The nature and significance of the relationship between the primary government and the corporation is such that exclusion would cause the City's financial statements to be misleading or incomplete. Records are maintained on a calendar year basis, ending December 31, 2018. DCIC issues separate financial statements that are available from the DCIC administrative offices located at 123 W. Main, Denison, Texas.

Denison Public Library Endowment Fund

The Denison Public Library Endowment Fund (the "Fund") is a 501(c)(3) nonprofit corporation established on January 17, 1986, for the purpose of maintaining, development, and promoting the Denison Public Library. A Board of Trustees appointed by the City Council governs the Fund. The nature and significance of the relationship between the primary government and the corporation is such that exclusion would cause the City's financial statements to be misleading or incomplete. Records are maintained on an October 1st through September 30th fiscal year. The fund issues separate financial statements that are available from the Fund's administrative offices located at 300 West Gandy Street, Denison, Texas.

Blended Component Unit

Mr. and Mrs. Charles H. Jones Memorial Library Trust

The Mr. and Mrs. Charles H. Jones Memorial Library Trust (the "Trust") is a private foundation established on October 16, 1962, for the purpose of purchasing books and providing capital improvements for the Denison Public Library. The Denison Public Library is the sole recipient and beneficiary of the Trust. The Trust's accounting records are maintained by the Landmark Bank (Trustee) located at 2820 West FM 120, Denison, Texas. As the trust is managed by the City it has been reported as a blended component unit.

Joint Venture

Texoma Area Solid Waste Authority

Joint Ventures are legal entities or other organizations that result from a contractual arrangement that are owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control. The participants retain either an ongoing financial interest or an ongoing financial responsibility. The City's only joint venture is described as follows:

Texoma Area Solid Waste Authority ("TASWA") was created by the City and other local governments in Cook and Grayson counties in May 2000 to develop and operate a municipal landfill for benefit of local governments and their constituents. The City's Mayor serves as one of five member of TASWA's Board of Directors; however, the City has no significant influence over TASWA's administration or operation.

Jointly-Governed Entity

Greater Texoma Utility Authority

Jointly-governed entities are legal entities that are jointly controlled, but the controlling parties do not retain an ongoing financial interest or responsibility. Greater Texoma Utility Authority ("GTUA") was created to assist local governments with the financing and construction of water, sewer, and solid waste facilities. The City Council appoints three members of GTUA's nine-member Board of Directors; however, the City has no significant influence over GTUA's administration or operations.

GTUA operates the Dipping Springs Landfill under contract with the cities of Denison and Sherman. During the year, the City paid GTUA $13,348 for landfill post-closure costs.

GTUA issues separate audited financial statements that are available from GTUA's administrative offices located at 5100 Airport Drive, Denison, Texas.

C. Basis of Presentation – Government-Wide and Fund Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental 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 and the proprietary funds.

As discussed earlier, the government has three discretely presented component units which are shown in separate columns in the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments where the amounts are reasonably equivalent in value to the interfund services provided and other charges between 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.

The fund financial statements provide information about the government's funds, including its fiduciary funds and blended component units. Separate statements for each fund category; governmental and proprietary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds. Major individual governmental and enterprise funds are reported as separate columns in the fund financial statements. The government reports the following major governmental funds:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, sales and franchise taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, public safety, public service, culture and recreation, and public works.

General Bond Fund

The general bond fund accounts for the acquisition and construction of the government's major capital facilities, other than those financed by proprietary funds.

Proprietary Fund Types

Proprietary funds are used to account for activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses, and transfers relating to the government's business activities are accounted for through proprietary funds. The measurement focus is on determination of net income, financial position, and cash flows. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues include charges for services. Operating expenses include costs of materials, contracts, personnel, and depreciation. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Proprietary fund types follow GAAP prescribed by the Governmental Accounting Standards Board (GASB). The proprietary fund types used by the City include enterprise funds.

The government reports the following major enterprise fund:

Utility Fund

This fund is used to account for the provision of water and sewer services to the residents of the City. Activities of the fund include administration, operations and maintenance of the water production and distribution system, water collection and treatment systems. The fund also accounts for the accumulation of resources for and the payment of long-term debt. All costs are financed through charges to utility customers.

Additionally, the City reports for the following fund types:

Debt Service Fund

The City accounts for the accumulation of financial resources for the payments of principal, interest and related costs on general long-term debt paid primarily from taxes levied by the City. The fund balance of the debt service fund is restricted exclusively for debt service expenditures.

Special Revenue Funds

The City accounts for resources restricted to, or designated for, specific purposes in a special revenue fund.

Agency Funds

The police seizure fund accounts for assets seized by the police department in which the City holds in a custodial capacity. The sister city fund accounts for assets donated to a local nonprofit which the City holds in a custodial capacity.

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 from/to other funds and advances 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 the funds included in governmental activities (i.e., the governmental and internal service funds) 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 (i.e., the enterprise funds) 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 governmental activities are eliminated so that only the net amount is included as transfers 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 transfers in the business-type activities column.

D. Measurement Focus and Basis of Accounting

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 when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

Proprietary, pension and other postemployment benefit trust funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Agency funds have no measurement focus but utilize the *accrual basis of accounting* for reporting its assets and liabilities.

E. Assets, Liabilities, Deferred Outflows/Inflows, and Fund Equity or Net Position

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short term investments with original maturities of three months or less from the date of acquisition. For the purpose of the statement of cash flows, the proprietary fund types consider temporary investments with maturity of three months or less when purchased to be cash equivalents.

In accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, the City reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexSTAR, are reported using the pools' share price.

The City has adopted a written investment policy regarding the investment of its funds as defined in the Public Funds Investment Act, Chapter 2256, of the Texas Governmental Code. In summary, the City is authorized to invest in the following:

Direct obligations of the U.S. Government
Fully collateralized certificates of deposit and money market accounts
Statewide investment pools

2. Fair Value

The City has applied Governmental Accounting Standards Board ("GASB") Statement No. 72, Fair Value Measurement and Application. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

3. Receivables and Interfund Transactions

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds" in the fund financial statements. If the transactions are between the primary government and its component unit, these receivables and payables are classified as "due to/from component unit/primary government." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

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

All trade receivables are shown net of any allowance for uncollectible amounts.

4. 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. Penalties are calculated after February 1 up to the date collected by the government at the rate of 6% for the first month and increased 1% per month up to a total of 12%. Interest is calculated after February 1 at the rate of 1% per month up to the date collected by the government. Under state law, property taxes levied on real property constitute a lien on the real property which cannot be forgiven without specific approval of the State Legislature. The lien expires at the end of twenty years. Taxes levied on personal property can be deemed uncollectible by the City.

5. Inventories and Prepaid Items

The costs of governmental fund type inventories are recorded as expenditures when they are utilized rather than when purchased, (i.e., the consumption method). The inventories are reported at cost using the first-in/first-out method. Certain payments to vendors reflect costs applicable to future accounting periods (prepaid expenditures) are recognized as expenditures when utilized.

6. Restricted Assets

Certain proceeds of governmental and enterprise fund cash and investments are classified as restricted assets on the statement of net position because their use is limited by applicable bond covenants, legal restrictions, or restrictions in place by outside parties.

7. 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 columns in the government-wide financial statements. Capital 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 one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art an similar items, and capital assets received in a service concession arrangement are recorded at acquisition value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest costs incurred in connection with construction of enterprise fund capital assets are capitalized when the effects of capitalization materially impact the financial statements.

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

Property, plant, and equipment of the primary government, as well as the component units, are depreciated using the straight-line method over the following estimated useful years.

Asset Description	Estimated Useful Years
Infrastructure	10-100
Buildings	50
Building Improvements	20-40
Vehicles	5-15
Machinery & Equipment	7-20

8. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows / inflows 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 government only has two items that qualify for reporting in this category. They are the deferred pension contributions which are required to convert the fiscal year contributions to the calendar year 2019 and the deferred investment earnings which represent investment return over/under expectation. Both are reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for *deferred inflows of resources*. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government records deferred inflows for the difference in expected and actual actuarial gains and losses of the pension liability. This item is only recorded on the full accrual basis. In addition, the government records a deferred inflow, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes, fines and forfeitures and ambulance fees. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

9. Net Position Flow Assumption

Sometimes the government 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 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.

10. Fund Balance Flow Assumptions

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

11. Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The governing council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The governing body (council) has by resolution authorized the finance director to assign fund balance. The council may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment. The general fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds it is not appropriate to report a positive unassigned fund balance amount However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance in that fund. A summary of the City's fund balance policy as adopted by the Council follows:

The City shall maintain an unassigned fund balance between sixty and ninety days of general fund expenditures, and between sixty and ninety days of utility fund expenditures. The City will also contribute 5% of sales tax receipts to a "rainy-day" fund for general fund purposes, and 5% of utility sales to a "capital project" fund for business activity related capital needs. The City is currently in compliance with these policies.

12. Pensions

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

13. Compensated Absences

The liability for compensated absences reported in the government-wide and proprietary fund statements consist of unpaid, accumulated vacation and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included. Vested or accumulated vacation leave and compensated leave of government-wide and proprietary funds are recognized as an expense and liability of those funds as the benefits accrue to employees.

The maximum accrual of vacation leave is 240 hours for all non-civil service employees, civil service fire and police administration employees, and shift police civil service employees. Fire shift civil service employees may accrue vacation leave up to a maximum of 360 hours.

All civil service police and fire personnel accrue sick leave in accordance with Local Government Code 143. All non-civil service personnel who meet the definition of retirement under the Texas Municipal Retirement System at time of separation will receive a lump sum payment of accrued, but unused sick leave not to exceed 720 hours.

It is the City's policy to liquidate compensated absences with future revenues rather than with currently available expendable resources. Accordingly, the City's governmental funds recognize accrued compensated absences when it is paid.

14. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payments of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments paid from governmental funds are reported as a liability in the fund financial statements only for the portion due and payable from expendable available financial resources.

Long-term debt and other obligations, financed by proprietary funds, are reported as liabilities in the appropriate funds. For proprietary fund types, bond premiums, discounts and deferred charges are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment with an appropriate reduction of principal recorded in the government-wide financial statements.

15. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position.

The governmental fund balance sheet includes reconciliation between *fund balance-total governmental funds* and *net position-governmental activities* as reported in the government-wide statement of net position. One element of that reconciliation explains that long-term liabilities, including bonds, are not due and payable in the current period and, therefore, are not reported in the funds.

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net position of governmental states that, "the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities."

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP) for the general, special revenue, and utility funds. The original budget is adopted by the City Council prior to the beginning of the year. The legal level of control as defined by the City Charter is the division level. No funds can be transferred or added to a budgeted item without Council approval. Appropriations lapse at the end of the year. Several supplemental budget appropriations were made during the year.

As of September 30, 2019, expenditures exceeded appropriations at the legal level of control as follows:

General fund:		
General government	$	448,524
Public safety		11,513
Capital outlay		4,307
Interest and fiscal charges		22,546
Cemetery Pre-Pay O&C fund:		
Transfers (out)	$	14,165
Federal Forfeitures fund:		
Public safety	$	21,341
Parks and Recreation fund:		
Transfers (out)	$	202,595
Law Enforcement Forfeitures fund:		
Public safety	$	34,789
Special Events fund:		
General government	$	40,304
Fire Training fund:		
Public safety	$	7,440
Police Training fund:		
Public safety	$	95

A. Deficit Fund Equity

The community development operating fund had a deficit fund balance of $75,058, as of September 30, 2019. This deficit will be replenished in the subsequent periods.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2019, the primary government had the following investments:

Investment Type	Value	Weighted Average Maturity (Years)
Certificates of deposit	$ 906,254	0.15
External investment pools	15,614,562	0.05
Total value	$ 16,520,816	
Portfolio weighted average maturity		0.06

Interest rate risk In accordance with its investment policy, the City manages its exposure to declines in fair values by limiting the weighted average of maturity not to exceed five years; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations; monitoring credit ratings of portfolio position to assure compliance with rating requirements imposed by the Public Funds Investment Act; and invest operating funds primarily in short-term securities or similar government investment pools.

Credit risk The City's investment policy limits investments to obligations of the United States, State of Texas, or their agencies and instrumentalities with an investment quality rating of not less than "A" or its equivalent, by a nationally recognized investment rating firm. Other obligations must be unconditionally guaranteed (either express or implied) by the full faith and credit of the United States Government or the issuing U.S. agency and investment pools with an investment quality not less than AAA or AAA-m, or equivalent, by at least one nationally recognized rating service.

Custodial credit risk – deposits In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. State statutes require that all deposits in financial institutions be insured or fully collateralized by U.S. government obligations or its agencies and instrumentalities or direct obligations of Texas or its agencies and instrumentalities that have a market value of not less than the principal amount of the deposits. As of September 30, 2019, the market values of pledged securities and FDIC exceeded bank balances.

Custodial credit risk – investments For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that it will seek to safekeeping securities at financial institutions, avoiding physical possession. Further, all trades, where applicable, are executed by delivery versus payment to ensure that securities are deposited in the City's safekeeping account prior to the release of funds.

TexSTAR

TexSTAR has been established for governmental entities pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexSTAR's governing body is a five-member Board consisting of three representatives of participants and one member designated by each of the co-administrators. The Board holds legal title to all money, investments, and assets and has the authority to employ personnel, contract for services, and engage in other administrative activities necessary or convenient to accomplish the objectives of TexSTAR. Board oversight of TexSTAR is maintained through daily, weekly, and monthly reporting requirements. TexSTAR is rated AAAm by Standard & Poor's. The City's fair value position is stated at the value of the position upon withdrawal. There were no limitations or restrictions on withdrawals.

B. Receivables

The following comprise receivable balances of the primary government at year end:

	General	Nonmajor Governmental Funds	Utility	Total
Property taxes	$ 436,843	$ 77,813	$ -	$ 514,656
Sales tax	1,009,943	-	-	1,009,943
Franchise taxes	55,974	-	-	55,974
Hotel taxes	74,168	-	-	74,168
Fines	1,036,329	-	-	1,036,329
Ambulance	773,529	-	-	773,529
Accounts	1,103,254	82,603	2,066,784	3,252,641
Grant receivable	4,761,114	-	-	4,761,114
Other receivables	365,999	-	-	365,999
Allowance	(1,395,527)	(3,327)	-	(1,398,854)
	$ 8,221,626	$ 157,089	$ 2,066,784	$ 10,445,499

C. Notes Receivable

The City's discretely presented component unit, Denison Community Investment Corporation ("DCIC"), issues note receivables to local businesses. As of December 31, 2017 (the most recently available date), the outstanding note receivable balances were as follows:

Description	Interest Rate	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Greg Guymon RE	4.00%	$ 22,882	$ -	$ (22,882)	$ -	$ -
RMJ Likarish - 331 W. Woodward	4.00%	-	109,049	-	109,049	9,943
Gentry - Country Java	4.00%	108,345	-	(108,345)	-	-
Tyler Ward - Houston Street	4.00%	29,465	-	(5,977)	23,488	6,220
Jay Connelly	4.00%	73,851	-	(6,050)	67,801	6,828
Nitia, Inc	4.00%	88,461	-	(14,605)	73,856	15,200
Steelcore	4.00%	45,666	-	(9,205)	36,461	11,322
Parker - Ivahoe Ale House	5.00%	207,870	-	(19,167)	188,703	30,288
Parker - Ivahoe Ale House (add'l loan)	5.00%	32,839	-	(3,036)	29,803	4,797
Joyce Sturgess Loan	4.00%	9,823	-	(9,823)	-	-
Bent Leaf	4.00%	29,360	-	(4,001)	25,359	4,535
Gaytan Restaurants	4.00%	132,801	-	(22,425)	110,376	25,396
Total notes receivable		$ 781,363	$ 109,049	$ (225,516)	$ 664,896	$ 114,529

All notes issued by DCIC are fully secured by either real estate property or personal property, such as machinery and equipment which all have uniform commercial code filings with the state.

D. Grant Receivable

On 11/16/2015, the City entered into a public/private partnership agreement to develop and build a sports complex and related facilities, with the Texoma Health Foundation (THF). The City agreed to contribute approximate $8 million to the project. THF is to contribute $7,935,192 over 10 years starting in 2016. Payments are split equally in the amount of $793,519. The payments commenced in January of 2016 and terminate in January of 2025. The City received the third payment of $793,519 during the year, leaving a remaining receivable balance of $4,761,114.

E. Capital Assets

A summary of changes in governmental activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 3,462,608	$ -	$ -	$ 3,462,608
Construction in progress	18,591,030	1,500,962	(19,070,171)	1,021,821
Total capital assets not being depreciated	22,053,638	1,500,962	(19,070,171)	4,484,429
Capital assets, being depreciated:				
Buildings and improvements	12,682,379	73,842	16,528,086	29,284,307
Infrastructure	31,917,497	234,217	-	32,151,714
Equipment	14,692,398	2,124,844	413,951	17,231,193
Total capital assets being depreciated	59,292,274	2,432,903	16,942,037	78,667,214
Less accumulated depreciation				
Buildings and improvements	(4,216,143)	(611,873)	3,695	(4,824,321)
Infrastructure	(15,234,145)	(820,123)	-	(16,054,268)
Equipment	(8,755,312)	(355,899)	230,316	(8,880,895)
Total accumulated depreciation	(28,205,600)	(1,787,895)	234,011	(29,759,484)
Net capital assets being depreciated	31,086,674	645,008	17,176,048	48,907,730
Total Capital Assets	$ 53,140,312	$ 2,145,970	$ (1,894,123)	$ 53,392,159

Depreciation was charged to governmental functions as follows:

General government	$ 173,260
Public safety	542,411
Public works	678,799
Community services	393,425
Total Governmental Activities Depreciation Expense	$ 1,787,895

A summary of changes in business-type activities capital assets for the year end was as follows:

	Beginning Balances	Increases	Decreases/ Reclassifications	Ending Balances
Capital assets, not being depreciated:				
Land	$ 543,719	$ -	$ -	$ 543,719
Construction in progress	5,877,089	1,635,027	(5,431,778)	2,080,338
Total capital assets not being depreciated	6,420,808	1,635,027	(5,431,778)	2,624,057
Capital assets, being depreciated:				
Buildings and improvements	24,092,742	7,174	1,786,269	25,886,185
Infrastructure	27,972,433	-	3,778,831	31,751,264
Machinery and equipment	14,412,193	307,775	1,630,452	16,350,420
Total capital assets being depreciated	66,477,368	314,949	7,195,552	73,987,869
Less accumulated depreciation				
Buildings and improvements	(7,475,067)	(552,761)	-	(8,027,828)
Infrastructure	(13,654,137)	(452,731)	-	(14,106,868)
Machinery and equipment	(6,855,951)	(469,455)	76,470	(7,248,936)
Total accumulated depreciation	(27,985,155)	(1,474,947)	76,470	(29,383,632)
Net capital assets being depreciated	38,492,213	(1,159,998)	7,272,022	44,604,237
Total Capital Assets	$ 44,913,021	$ 475,029	$ 1,840,244	$ 47,228,294

Depreciation was charged to business-type activities as follows:

Water	$ 926,109
Sewer	548,838
Total Business-Type Activities Depreciation Expense	$ 1,474,947

F. Other Long-term Liabilities

Compensated absences represent the estimated liability for employees' accrued compensatory time and vacation leave for which employees are entitled to be paid upon termination. The following summarizes the changes in the compensated absences balances of the primary government during the year. In general, the City uses the general and utility funds to liquidate governmental and business-type activities compensated absences, respectively.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Compensated Absences	$ 2,587,399	$ 1,483,794	$ (1,328,776)	$ 2,742,417	$ 1,408,387
Total Governmental Activities	$ 2,587,399	$ 1,483,794	$ (1,328,776)	$ 2,742,417	$ 1,408,387
Business-Type Activities:					
Compensated Absences	$ 620,461	$ 266,065	$ (340,492)	$ 546,034	$ 299,649
Total Business-Type Activities	$ 620,461	$ 266,065	$ (340,492)	$ 546,034	$ 299,649

The following is a summary of changes in the City's discretely presented component unit's, Denison Business and Industrial Corporation, compensated absences for the year ended September 30, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Component Unit Activities:					
Compensated Absences	$ 72,396	$ 23,127	$ (18,432)	$ 77,091	$ 7,709
Total Component Unit Activities	$ 72,396	$ 23,127	$ (18,432)	$ 77,091	$ 7,709

The following is a summary of changes in the landfill post-closure costs liability of the primary government for the year ended September 30, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Landfill post-closure costs	$ 118,964	$ -	$ (32,128)	$ 86,836	$ 30,404
Total Governmental Activities	$ 118,964	$ -	$ (32,128)	$ 86,836	$ 30,404

G. Long-term Debt

The following is a summary of changes in the City's total governmental long-term liabilities for the year ended. In general, the City uses the debt service fund to liquidate governmental long-term liabilities.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Governmental Activities:					
Bonds, notes and other payables:					
General obligation bonds	$ 2,556,200	$ -	$ (473,800)	$ 2,082,400	$ 380,000
Certificates of obligation	14,369,982	-	(1,273,599)	13,096,383	1,305,742
Tax notes	635,000	-	(210,000)	425,000	210,000
Less deferred amounts:					
For issuance premiums	341,245	-	(38,628)	302,617	-
	17,902,427	-	(1,996,027)	15,906,400	1,895,742
Other liabilities:					
Capital leases payable	2,455,636	1,887,500	(530,098)	3,813,038	667,503
Notes payable	1,389,000	-	(169,000)	1,220,000	170,000
Total Governmental Activities	$ 21,747,063	$ 1,887,500	$ (2,695,125)	$ 20,939,438	$ 2,733,245
Long-term liabilities due in more than one year				$ 18,206,193	
Business-Type Activities:					
Bonds, notes and other payables:					
General obligation bonds	$ 748,800	$ 3,060,000	$ (351,200)	$ 3,457,600	$ 375,000
Certificates of obligation	31,090,022	5,255,000	(4,771,401)	31,573,621	1,679,258
Less deferred amounts:					
For issuance discount	(31,506)	-	18,474	(13,032)	-
For issuance premiums	1,455,795	801,311	(168,407)	2,088,699	-
	33,263,111	9,116,311	(5,272,534)	37,106,888	2,054,258
Other liabilities:					
Capital leases payable	353,968	-	(48,336)	305,632	48,981
Total Business-Type Activities	$ 33,617,079	$ 9,116,311	$ (5,320,870)	$ 37,412,520	$ 2,103,239
Long-term liabilities due in more than one year				$ 35,309,281	

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. In addition, capital leases are secured by the underlying asset. In the event of default, the lender may demand immediate payment or take possession of the asset. As of September 30, 2019, the total net carrying value of the capital lease assets for governmental activities and business-type activities were $4,833,679 and $338,739, respectively.

Long-term debt at year end was comprised of the following debt issues:

	Governmental Activities	Business - Type Activities	Total
General Obligation Bonds:			
$3,442,800 General Obligation Refunding Bonds, Series 2013, due in installments through 2025, interest at 2.75%	$ 2,082,400	$ 657,600	$ 2,740,000
$3,060,000 General Obligation Refunding Bonds, Series 2019, due in installments through 2028, interest at 3% to 5%	-	2,800,000	2,800,000
Total General Obligation Bonds	$ 2,082,400	$ 3,457,600	$ 5,540,000
Certificates of Obligation:			
$7,000,000 Comb Tax and Revenue Certificates of Obligation, Series 2010, due in annual installments through 2029, interest at 3%	$ -	$ 4,345,000	$ 4,345,000
$6,665,000 Comb Tax and Revenue Certificates of Obligation, Series 2012, due in annual installments through 2028, interest at 3%	-	4,135,000	4,135,000
$6,335,000 Comb Tax and Revenue Certificates of Obligation, Series 2015, due in annual installments through 2035, interest at 3-4%	-	5,540,000	5,540,000
$2,240,000 Comb Tax and Surplus Revenue Certificates of Obligation, Series 2013, due in annual installments through 2033, interest at 2.75%	1,700,000	-	1,700,000
$7,475,000 Comb Tax and Surplus Revenue Certificates of Obligation, Series 2016, due in annual installments through 2026, interest at 1.89%	5,395,000	-	5,395,000
$1,725,000 Comb Tax and Surplus Revenue Certificates of Obligation, Series 2016, due in annual installments through 2036, interest at 3-5%	-	1,570,000	1,570,000
$2,855,000 Combination Tax & Limited Surplus Revenue Certificates of Obligation, Series 2017, through 2027, interest at 2.16%	2,340,000	-	2,340,000
$2,945,000 Combination Tax & Revenue Cerificates of Obligation, Series 2017, through 2037, interest at 3%	2,741,383	-	2,741,383
$1,000,000 Comb Tax & Limited Surplus Revenue Certificates of Obligation, Series 2018A, due through 2028, interest at 2.89%	920,000	-	920,000
$3,925,000 Combination Tax & Revenue Cerificates of Obligation, Series 2017, through 2037, interest at 3%	-	3,653,621	3,653,621
$7,255,000 Comb Tax & Limited Surplus Revenue Certificates of Obligation, Series 2018, due through 2038, interest at 3.12% to 5.54%	-	7,075,000	7,075,000
$5,255,000 Comb Tax & Limited Surplus Revenue Certificates of Obligation, Series 2019, due through 2039, interest at 3% to 4%	-	5,255,000	5,255,000
Total Certificates of Obligation	$ 13,096,383	$ 31,573,621	$ 44,670,004
Tax Notes			
$1,435,000 Tax Note, Series 2014, due in installments through 2021, interest at 1.24%	$ 425,000	$ -	$ 425,000
Total Tax Notes	$ 425,000	$ -	$ 425,000

	Governmental Activities	Business - Type Activities	Total
Less deferred amounts:			
Discounts and premiums	$ 302,617	$ 2,075,667	$ 2,378,284
Notes Payable:			
$1,550,000 Section 108 HUD loan, due in annual installments through 2026, interest is variable	1,220,000	-	1,220,000
Capital Leases Payable:			
$373,500 Capital lease payable to JP Morgan Chase, due in annual installments of $41,746 through 2022, interest at 2.42%	119,413	-	119,413
$375,000 Capital lease payable to JP Morgan Chase, due in annual installments of $57,498 through 2020, interest at 2.27%	56,202	-	56,202
$207,000 Capital lease payable to JP Morgan Chase, due in annual installments of $32,029 through 2020, interest at 2.27%	31,214	-	31,214
$1,600,000 Capital lease payable to BB&T, due in annual installments of $180,904 through 2024, interest at 2.39%	843,118	-	843,118
$463,000 Capital lease payable to JP Morgan Chase, due in annual installments of $51,382 through 2025, interest at 2.08%	260,693	-	260,693
$525,509 Capital lease payable to JP Morgan Chase, due in annual installments of $61,045 through 2027, interest at 3.045%	426,985	-	426,985
$135,186 Capital lease payable to Bankcorp South, due in annual installments of $23,938 through 2023, interest at 2.46%	90,079	-	90,079
$259,366 Capital lease payable to Ricoh, due in monthly installments of $4,323 through 2023, interest at 0%	101,585	101,585	203,170
$122,581 Capital lease payable to Ferno, due in annual installments of $40,860 through 2020, interest at 0%	40,860	-	40,860
$210,000 Capital lease payable to BB&T, due in annual installments of $44,611 through 2023, interest at 3.11%	165,389	-	165,389
$1,677,500 Capital lease payable to JP Morgan Chase, due in annual installments of $194,919 through 2029, interest at 3.05%	1,677,500	-	1,677,500
$251,326 Capital lease payable to BB&T, due in annual installments of $28,921 through 2027, interest at 2.88%	-	204,047	204,047
Total Capital Leases Payable	3,813,038	305,632	4,118,670
Total Debt	$ 20,939,438	$ 37,412,520	$ 58,351,958

The annual requirements to amortize general obligation bonds outstanding at year ending were as follows:

General Obligation Bonds

Year ending	Governmental Activities		Business-Type Activities		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 380,000	$ 65,835	$ 375,000	$ 145,578	$ 755,000	$ 211,413
2021	395,200	54,435	399,800	129,228	795,000	183,663
2022	311,600	42,579	383,400	111,734	695,000	154,313
2023	323,000	33,231	402,000	94,532	725,000	127,763
2024	330,600	23,541	419,400	76,472	750,000	100,013
2025	342,000	11,970	433,000	64,155	775,000	76,125
2026	-	-	330,000	52,250	330,000	52,250
2027	-	-	350,000	35,750	350,000	35,750
2028	-	-	365,000	18,250	365,000	18,250
	$ 2,082,400	$ 231,591	$ 3,457,600	$ 727,949	$ 5,540,000	$ 959,540

The annual requirements to amortize certificates of obligations outstanding at year ending were as follows:

Year ending	Governmental Activities		Business-Type Activities		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 1,305,742	$ 297,988	$ 1,679,258	$ 1,196,019	$ 2,985,000	$ 1,494,007
2021	1,330,029	270,001	1,804,971	1,069,259	3,135,000	1,339,260
2022	1,364,316	241,364	1,765,684	998,875	3,130,000	1,240,239
2023	1,393,603	212,032	1,841,397	927,694	3,235,000	1,139,726
2024	1,420,746	181,263	1,929,254	848,147	3,350,000	1,029,410
2025	1,455,033	148,973	1,999,967	767,583	3,455,000	916,556
2026	1,494,320	115,789	2,085,680	688,023	3,580,000	803,812
2027	688,606	89,714	2,161,394	606,804	2,850,000	696,518
2028	390,036	74,368	2,254,964	522,110	2,645,000	596,478
2029	284,323	63,679	1,815,677	433,499	2,100,000	497,178
2030	291,467	54,717	1,338,533	373,911	1,630,000	428,628
2031	300,753	45,833	1,384,247	325,070	1,685,000	370,903
2032	312,183	36,639	1,437,817	277,459	1,750,000	314,098
2033	321,470	27,135	1,483,530	229,793	1,805,000	256,928
2034	175,757	19,676	1,529,243	181,663	1,705,000	201,339
2035	184,330	14,275	1,585,670	132,677	1,770,000	146,952
2036	188,617	8,681	1,171,383	89,572	1,360,000	98,253
2037	195,052	2,926	1,084,952	54,792	1,280,004	57,718
2038	-	-	850,000	24,803	850,000	24,803
2039	-	-	370,000	5,781	370,000	5,781
	$ 13,096,383	$ 1,905,053	$ 31,573,621	$ 9,753,534	$ 44,670,004	$ 11,658,587

The annual requirements to amortize tax notes outstanding at year ending were as follows:

Tax Notes

Year ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Total
2020	$ 210,000	$ 3,968	$ 213,968
2021	215,000	1,333	216,333
	$ 425,000	$ 5,301	$ 430,301

The annual requirements to amortize capital leases outstanding at year ending were as follows:

Capital Leases Payable

Year ending	Governmental Activities		Business-Type Activities		Total	
September 30,	Principal	Interest	Principal	Interest	Principal	Interest
2020	$ 667,503	$ 82,653	$ 48,981	5,877	$ 716,484	$ 88,530
2021	533,449	86,319	49,645	5,213	583,094	91,532
2022	547,101	72,668	50,327	4,530	597,428	77,198
2023	517,218	58,644	48,868	3,828	566,086	62,472
2024	438,292	45,244	25,816	3,105	464,108	48,349
2025	269,175	33,458	26,559	2,361	295,734	35,819
2026	230,294	25,671	27,324	1,597	257,618	27,268
2027	237,337	18,627	28,112	810	265,449	19,437
2028	183,552	11,367	-	-	183,552	11,367
2029	189,117	5,769	-	-	189,117	5,769
	$ 3,813,038	$ 440,420	$ 305,632	$ 27,321	$ 4,118,670	$ 467,741

The annual requirements to amortize notes payable outstanding at year ending were as follows:

Notes Payable

Year ending September 30,	Governmental Activities Principal	Governmental Activities Interest	Total
2020	$ 170,000	$ 31,671	$ 201,671
2021	170,000	27,258	197,258
2022	171,000	22,845	193,845
2023	173,000	18,406	191,406
2024	175,000	13,915	188,915
2025	178,000	9,372	187,372
2026	183,000	4,751	187,751
	$ 1,220,000	$ 128,218	$ 1,348,218

The following is a summary of changes in the City's discretely presented component unit's, Denison Business and Industrial Corporation, long-term liabilities for the year ended September 30, 2019.

	Beginning Balance	Additions	Reductions	Ending Balance	Amounts Due within One Year
Component Unit Activity					
Notes payable	$ 1,383,173	$ -	$ (491,172)	$ 892,001	$ 521,001
Compensated absences	157,335	28,197	(110,000)	75,532	50,532
Total Governmental Activities	$ 1,540,508	$ 28,197	$ (601,172)	$ 967,533	$ 571,533
Long-term liabilities due in more than one year				$ 396,000	

Notes Payable

Year ending September 30,	Component Unit Activities Principal	Interest	Total
2020	$ 521,001	$ 28,649	$ 549,650
2021	70,000	9,576	79,576
2022	72,000	7,553	79,553
2023	74,000	5,472	79,472
2024	76,000	3,334	79,334
2025	79,000	1,126	80,126
	$ 892,001	$ 55,710	$ 398,061

Landfill Closure and Post-closure Care Costs

The Cities of Sherman and Denison contracted with the Greater Texoma Utility Authority ("GTUA") for use of the Dripping Springs landfill. The City owns the permitted area but GTUA is responsible for the operation and maintenance. This landfill was considered full at September 30, 1993, for financial reporting purposes. State and Federal laws and regulations require the City of Denison to place a final cover on its Dripping Springs landfill site and to perform certain maintenance and monitoring functions at the site for up to thirty years after closure. The City is financially obligated for a portion of these costs related to gas and ground water monitoring. During the current year, the City paid $13,348 toward the post-closure costs. These costs are expected to significantly decline in the near future. The City has recorded a liability of $86,836 for the future costs, representing an estimated 4 years of remaining monitoring, including an assumed 2.5% inflation rate.

H. Advanced Refunding

On April 1, 2019, the City issued $3,060,000 in general obligation refunding bonds with an interest rate of 5%, and a premium on bond refunding of $370,598. The proceeds were used to advance refund $3,325,000 of outstanding 2008 certificate of obligation bonds which had an interest rate of 4.7%-5%. The net proceeds of $3,365,533 (after payment of $77,467 in issuance costs) were deposited with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, the obligations are considered defeased and the liability for those bonds have been removed from the statement of net position.

The reacquisition price exceeded the net carrying amount of the old debt by $46,740. This amount is being amortized over the remaining life of the refunding debt. This advance refunding reduced its total debt service payments by $432,414 and resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $388,054.

I. Deferred Charges on Refunding

A deferred charge resulting from the issuance of the 2019 General Obligation Refunding Bonds has been recorded as a deferred outflow of resources and is being amortized to interest expense over the term of the refunded debt. The current year balance for business-type activities totaled $42,066. Current year amortization for business-type activities was $4,674.

J. Interfund Transactions

Transfers between the primary government funds during the 2019 year were as follows:

	Transfer In:			
Transfer Out:	**General**	**General Bond**	**Nonmajor**	**Total**
Utility fund	1,641,493	-	205,000	1,846,493
General	-	367,731	296,318	664,049
Nonmajor funds	272,430	-	168,682	441,112
Total	$ 1,913,923	$ 367,731	$ 670,000	$ 2,951,654

During the year, transfers are used to allocate administrative and overhead costs between funds, and to reimburse funds for costs incurred on another fund's behalf.

Further, capital was transferred from the governmental-activities to the proprietary fund in the amount of $1,841,469.

The compositions of interfund balances as of year end were as follows:

Due from other funds (Receiving Fund):	Due to other funds (Payable Fund): Nonmajor
General Fund	75,965
Total	$ 75,965

Advances from other funds (Receiving Fund):	Advances to other funds (Payable Fund): Nonmajor
General Fund	220,979
Total	$ 220,979

The purpose of interfund receivables and payables is to loan cash between funds. All due to/from balances are expected to be settled within the next year.

In fiscal year ending September 30, 2019, the general fund advanced the parks and recreation fund $220,979 paid towards a parks grant. The parks and recreation fund will pay back the general fund over the next three years.

K. Restricted Net Position

The City records restricted net position on amounts with externally imposed restrictions (e.g., through debt covenants or by grantors) or restrictions imposed by law through constitutional provisions or enabling legislation. Total restricted net position for the primary government was $1,645,398. Of which, $19,185 is restricted by enabling legislation.

V. OTHER INFORMATION

A. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets, errors and omissions; and natural disasters for which the City participates along with over 2,800 other entities in the Texas Municipal League's Intergovernmental Risk Pools. The Pool purchases commercial insurance at group rates for participants in the Pool. The City has no additional risk or responsibility to the Pool outside of the payment of insurance premiums. The City has not significantly reduced insurance coverage or had settlements which exceeded coverage amounts for the past three years.

B. Contingent Liabilities

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

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors.

C. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the City could result. The City does anticipate that it will have an arbitrage liability and performs annual calculations to estimate this potential liability. The City will also engage an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations, if indicated.

D. Defined Benefit Pension Plans

Texas Municipal Retirement System

1. Plan Description

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

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

2. 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.

The plan provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

Plan provisions for the City were as follows:

	Plan Year 2018	Plan Year 2017
Employee deposit rate	7%	7%
Matching ratio (city to employee)	2 to 1	2 to 1
Years required for vesting	5	5
Service retirement eligibility (expressed as age / years of service)	60/5, 0/20	60/5, 0/20
Updated service credit	100% Repeating Transfers	100% Repeating Transfers
Annuity increase (to retirees)	30% of CPI	30% of CPI

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	159
Inactive employees entitled to but not yet receiving benefits	114
Active employees	228
Total	**501**

3. 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 of Denison, Texas were required to contribute 7% of their annual gross earnings during the fiscal year. The contribution rates for the City of Denison, Texas were 12.74% and 12.17% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019, were $1,431,847, and were equal to the required contributions.

4. Net Pension Liability

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

Actuarial assumptions

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

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

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

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

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

The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2019 are summarized in the following table:

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

Discount Rate

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

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	$ 63,996,301	$ 61,685,295	$ 2,311,006
Changes for the year:			
Service cost	1,698,110	-	1,698,110
Interest	4,259,941	-	4,259,941
Difference between expected and actual experience	15,566	-	15,566
Changes of assumptions	-	-	-
Contributions – employer	-	1,410,223	(1,410,223)
Contributions – employee	-	775,143	(775,143)
Net investment income	-	(1,846,896)	1,846,896
Benefit payments, including refunds of emp. contributions	(3,470,248)	(3,470,248)	-
Administrative expense	-	(35,711)	35,711
Other changes	-	(1,866)	1,866
Net changes	2,503,369	(3,169,355)	5,672,724
Balance at 12/31/18	$ 66,499,670	$ 58,515,940	$ 7,983,730

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

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

1% Decrease 5.75	Current Single Rate Assumption 6.75%	1% Increase 7.75%
$ 16,486,777	$ 7,983,730	$ 949,270

Pension Plan Fiduciary Net Position

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

5. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2019, the city recognized pension expense for this plan of $2,293,725.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Differences between expected and actual economic experience	$ -	$ (231,780)
Changes in actuarial assumptions	5,318	-
Difference between projected and investment earnings	3,177,103	-
Contributions subsequent to the measurement date	1,066,649	-
Total	$ 4,249,070	$ (231,780)

The City reported $1,066,649 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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:		
2019	$	1,010,222
2020		324,553
2021		413,737
2022		1,202,129
2023		-
Thereafter		-
	$	2,950,641

Denison Firemen's Relief and Retirement Fund

6. Plan Description

The Board of Trustees of the Fund is the administrator of the Fund, a single-employer defined benefit pension plan. The Fund is an independent entity for financial reporting purposes. The City of Denison, Texas is the only contributing employer. The members of the Fund also contribute to the Fund.

The Fund is established under the authority of the Texas Local Fire Fighters' Retirement Act ("TLFFRA"). The Fund is administered by a Board of Trustees which is made up of three members elected from and by the Fund members, two representatives of the City of Denison, Texas, and two citizen members.

The Fund covers current and former fire fighters of the City of Denison, Texas, as well as certain beneficiaries of current and former fire fighters. The Fund is open to new entrants. An actuarial valuation of the Fund is performed every two years.

7. Benefits Provided

Effective October 1, 2004, the City of Denison contributes 15 percent of each Fund member's total pay (including regular, longevity, overtime pay and pay received during a period of sick leave or vacation, but excluding lump sum distributions for unused sick leave or vacation). Fund members contribute to the fund at a rate of 12 percent of pay. Fund members receive a credit for service for the period during which they pay into, and keep on deposit in the fund, the contributions required by the Fund. Retirement, death, disability, and termination benefits are calculated based upon a member's average salary for the 24 consecutive months that produce the highest average.

All active fire fighters of the City of Denison, Texas are members of the Denison Firemen's Relief and Retirement Fund.

The City contributed 100% toward the required postemployment benefit cost for current and two preceding years.

Service Retirement Benefits

A member is eligible for service retirement benefits upon completion of 20 years of service and attainment of age 50. A member who retires under the service retirement provisions of the Fund will receive a monthly benefit equal to the sum of (a) and (b), below, where: (a) Equals 2.65 percent of the member's highest 24-month average salary, multiplied by the member's years of credited service not in excess of 20, and (b) Equals 3.00 percent of the member's highest 24-month average salary multiplied by the member's years of credited service in excess of 20.

The maximum service retirement benefit is $5,150 per month.

Service retirement benefits are payable for the member's lifetime. In the event the member's death precedes that of his spouse, three-fourths of the member's pension will be continued to the member's spouse for the spouse's lifetime. Monthly benefits to a widowed spouse upon remarriage will continue subject to the other terms of the Fund.

Disability Benefits

An active member who becomes disabled before the date he qualifies for service retirement will receive a monthly disability benefit equal to 50 percent of the member's average monthly compensation. However, if a member is eligible for a service retirement benefit, he will receive the service retirement benefit to which he is entitled instead of the disability benefit. The maximum disability benefit is $5,150 per month.

If a member begins drawing disability benefits prior to age 50, but after the date he has completed 20 years of service, monthly disability benefits will end at age 50. Starting at age 50, the member will receive the amount of monthly termination benefit, described below, which the member has accumulated as of the date his service is terminated due to disability.

Disability benefits are payable in the same form as service retirement benefits. However, disability benefits stop if the member recovers to the point that he no longer meets the definition of disability under the Fund.

Employees covered by benefit terms

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

Inactive employees or beneficiaries currently receiving benefits	54
Inactive employees entitled to but not yet receiving benefits	8
Active employees	52
Total	**114**

8. Contributions

The contribution rate for employees is 12% of employee gross earnings, and the City matching percentage 15%, both as adopted by the governing body of the Fund. The City's contributions to the fund for the year ended September 30, 2019, were $513,916, and were equal to the required contributions.

9. Net Pension Liability

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

Total pension liability	$	23,290,447
Plan fiduciary net position		16,588,602
City's net pension liability	$	6,701,845
Plan fiduciary net position as a percentage of the total pension liability		71.22%

Actuarial Assumptions

The total pension liability in the December 31, 2017 actuarial valuation, measurement date of December 31, 2018, was determined using the following actuarial methods and assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry Age Normal Actuarial cost method
Amortization method	Open period, level percentage of pay
Asset valuation method	The fair value of assets plus 20% of the unrecognized gains & losses from each of the past four years. The resulting value is further limited to be no less than 80% and no greater than 110% of the fair value of assets.

Discount rate	7.50% per annum, compounded annually
Compensation increases for Individual members	5.00% per year, compounded annually
Increases in total payroll	3.50% per year, compounded annually
Marital status	
a. Proportion married	Males: 100%, Females: 100%
b. Difference in ages	Actual age difference are used for married members. Unmarried members are assumed to be married at retirement, Males are assumed to be two years older than their spouses.
Contribution rates	Rates in effect are assumed to remain constant for future years
Mortality rates	RP-2000 combined healthy tables for males and females with mortality improvement projected to valuation date using Scale AA.

Termination rates

Age	Termination Rate
25	4.97%
35	2.49%
45	0.62%
55	0.00%

Disability

Rates developed from 1985 Society of Actuaries Disability Table Study using Class 1 male rates with a 90-day elimination period. Specimen rates are:

Age	Termination Rate
25	0.111%
35	0.152%
45	0.335%
55	0.858%

Assumed death benefit to children	Each member is assumed to have two children. The first child is assumed to have been born when the member was age 25. The second child is assumed to be two years younger. It is also assumed that benefits will be paid when each child reaches the age of 18.

Assumed contribution rates	
a. Members	12.00% of compensation
b. City	15.00% of compensation
Assumed form of payment	Members are assumed to receive a joint and 75% contingent service retirement benefit, which is the only form of service retirement benefit in the plan.

Discount Rate

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2019 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Cash and cash equivalents	1.65%	0.0000%
Fixed Income	3.80%	0.0390%
Equities	76.34%	5.0426%
Real Estate	18.21%	1.0466%
Total	**100.0%**	

Changes in the Net Pension Liability

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) – (b)
Balance at 12/31/17	$ 22,683,336	$ 17,725,070	$ 4,958,266
Changes for the year:			
Service cost	487,429	-	487,429
Interest	1,679,321	-	1,679,321
Difference between expected and actual experience	-	-	-
Changes of assumptions	-	-	-
Contributions – employer	-	504,819	(504,819)
Contributions – employee	-	404,045	(404,045)
Net investment income	-	(461,618)	461,618
Benefit payments, including refunds of emp. contributions	(1,559,639)	(1,559,639)	-
Administrative expense	-	(24,075)	24,075
Other changes	-	-	-
Net changes	607,111	(1,136,468)	1,743,579
Balance at 12/31/18	$ 23,290,447	$ 16,588,602	$ 6,701,845

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 7.50% as well as what the City's net pension liability would be if it were to be calculated using the discount rate that is 1-percentage point lower (6.50%) or 1-percentage point higher (8.50%) than the current rate:

1% Decrease 6.50%	Current Single Rate Assumption 7.50%	1% Increase 8.50%
$ 9,314,446	$ 6,701,845	$ 4,503,986

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued financial report. That report may be obtained from the finance department of the City.

10. <u>Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u>

For the year ended September 30, 2019, the City recognized pension expense for this plan of $828,071.

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

	Deferred Outflows of Resources	Deferred (Inflows) of Resources
Difference between projected and investment earnings	$ 1,096,946	$ -
Differences between expected and actual economic experience	-	(779,567)
Contributions subsequent to the measurement date	386,079	-
Total	$ 1,483,025	$ (779,567)

The City reported $386,079 as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date that 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:	
2019	$ 421,789
2020	(44,672)
2021	(47,713)
2022	233,044
2023	(125,355)
2024	(119,714)
2025	-
Thereafter	-
	$ 317,379

	Texas Municipal Retirement System Defined Benefit Plan	Denison Fireman's Relief and Retirement Fund	Total
Net pension liability	$ (7,983,730)	$ (6,701,845)	$ (14,685,575)
Deferred outflows of resources	4,249,070	1,483,025	5,732,095
Deferred inflows of resources	(231,780)	(779,567)	(1,011,347)
Pension expense	2,293,725	828,071	3,121,796
Total	$ (1,672,715)	$ (5,170,316)	$ (6,843,031)

E. Deferred Compensation Plan

The City has established a deferred compensation plan (the 457 plan) in accordance with Internal Revenue Code, Section 457. The 457 plan, available to all employees, permits them to defer a portion of their salaries until future years. The benefits of the plan are not available to employees until termination, retirement, or unforeseeable emergency. Benefits are available to employee's beneficiaries in case of death.

All amounts of compensation deferred under the 457 plan, all property rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan) subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of the general creditors of the City in an amount equal to the fair market value of the deferred account for each participant.

It is the opinion of the City that the City has no liability for investment losses under the 457 plan, but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the 457 plan assets to satisfy the claims of general creditors in the future.

The City's deferred compensation plan is administered by a private corporation under contract with the City. Participant contributions totaled $57,185 for the year ended September 30, 2019.

F. Commitments and Contingencies

Texoma Area Solid Waste Authority

The City has an unconditional obligation to pay its proportionate share of TASWA's bond debt service and annual operating and maintenance expenditures. The City pays its proportionate share of this obligation to TASWA through tipping fees. The City's budgeted commitment to TASWA for fiscal year 20 is $950,000. Payments made by the City during the year totaled $912,455.

Guarantee

The City has executed a guarantee to the Texas Commission on Environmental Quality ("TCEQ") on behalf of TASWA. In the event TASWA fails to perform any closure, post-closure, or corrective actions required by TCEQ, the City shall (i) perform such closure, post-closure, or corrective actions, (ii) pay a third party to perform such closure, post-closure or corrective actions, or (iii) establish a fully-funded trust pursuant to Texas law to remedy the failure at the TASWA facility.

If the City expends funds under this guarantee, the City would be unconditionally entitled to reimbursement from TASWA according to the terms of the Landfill Contract. Estimated costs guaranteed by the City are $6,227,082 for closure and $1,950,089 for post-closure. The landfill is estimated to be 17.2% full and has an estimated remaining useful life of 68.4 years. These estimates are evaluated annually and are subject to change due to inflation, changes in technology, or changes in regulation.

Greater Texoma Utility Authority

The City has entered into various contracts with the Greater Texoma Utility Authority ("Authority"), whereby the Authority provides water services to the City. As part of the contractual agreements, the Authority issues debt for the benefit of the City, the proceeds of which are used to finance construction of water and sewer facilities and infrastructure within the City. Although this debt is not that of the City, the City is contractually obligated for the repayment of principal and interest on the debt through a pledging of water revenues.

During the year ended September 30, 2019, the City paid $273,419 to the Authority in accordance with these contracts. Future payments under these contracts average approximately $289,527 per year for the next 11 years.

A summary of the remaining debt service as of September 30, 2019 is as follows:

Year Ending September 30,	Principal	Interest	Total
2020	$ 225,720	$ 59,588	$ 285,308
2021	232,200	56,317	288,517
2022	237,600	52,407	290,007
2023	243,000	48,049	291,049
2024	249,480	43,240	292,720
2025	255,960	38,021	293,981
2026	262,440	32,411	294,851
2027	268,920	26,424	295,344
2028	275,400	20,070	295,470
2029	281,880	13,358	295,238
2030	255,960	6,348	262,308
Total	$ 2,788,560	$ 396,233	$ 3,184,793

Construction Commitments

The City has active construction projects as of September 30, 2019. At year end, the City's commitments with contractors are as follows:

Governmental Funds

Project	Project Budget Appropriation	Construction in Progress (Spent to Date)	Remaining Commitment
Katy Trail Phase One	$ 229,978	$ 100,649	$ 129,329
Flora Lane Reconstruction	184,450	140,188	44,262
Waterloo/Lang Reconstruction	246,846	-	246,846
Downtown Design	969,600	686,085	283,515
2019 Fall Overlay Program	196,619	-	196,619
West End Fire Station	756,995	-	756,995
Total Construction in Progress	$ 2,584,488	$ 926,922	$ 1,657,566

Proprietary Funds

Project	Project Budget Appropriation	Construction in Progress (Spent to Date)	Remaining Commitment
Theresa (Katy Trail/Railroad) Water Line	$ 349,350	$ 312,264	$ 37,086
Iron Ore Interceptor	3,686,372	54,403	3,631,969
West End Fire Station	18,250	-	18,250
West Loy Lake	205,700	86,630	119,070
Environmental Services	338,743	14,578	324,165
Water Master Plan	191,200	236,112	(44,912)
Renovate Clarifier #2	23,979	13,529	10,450
Renovate Clarifier #2	174,302	-	174,302
Iron Ore Interceptor	739,900	629,981	109,919
Texoma Pump Station	829,958	450,527	379,431
Total Construction in Progress	$ 6,557,754	$ 1,798,024	$ 4,759,730

G. Additional Water and Sewer Information

The following information is included at the request of the Texas Water Development Board for the year under audit.

Water Accountability Report:

Gallons Pumped	1,590,020,000
Gallons Billed	1,189,566,163

The City of Denison secures its water supply and sewer services from the Greater Texoma Utility Authority ("Authority"), a district authorized by the Texas Constitution, Article XVI, Section 59; created by the Texas Legislature, Article 8280-141; and authorized to act by the confirming vote of the majority of the qualified voters in each of the cities comprising the District. The District has police, taxation and eminent domain powers and is authorized to issue revenue and/or tax bonds upon approval by the Attorney General of the State of Texas and functions as a political subdivision of the State of Texas independent of the City. The District is governed by a 9-member board ("Board"). The Board has full power and discretion to establish its budget and to set rates for the services it provides by contracts with its member cities and customers. The Board is empowered by statute and contract, or otherwise permitted by law, to discontinue a facility or service in order to prevent an abuse or to enforce payment of an unpaid charge, fee or rental due to the Authority. Because of these factors, the Authority is not included in the City's basic financial statements.

The City does not have meters on all water pumping stations to be able to accurately measure the total number of gallons pumped. Therefore, the above numbers do not accurately reflect the actual gallons pumped versus the total gallons billed.

H. Tax Abatement Disclosures

The City of Denison negotiates tax abatement agreements on an individual basis. The City has three property tax abatement agreements with two separate entities and hotel tax abatements with one entity as of September 30, 2019:

Purpose	Abatement Type	Percentage of Taxes Abated during the Fiscal Year	Amount of Taxes Abated during the Fiscal Year
Food processing company receives tax abatements for the acquisition and installation of personal property for facility improvements at a preexisting facility within the City. The estimated value of such is $30,000,000.	Property Tax	50%	$ 103,251
Food processing company receives tax abatements for constructing an additional 50,000 square feet of manufacturing/warehouse space.	Property Tax	50%	38,609
Developer received ad valorem rebate for constructing single family structures within the City.	Property Tax	100%	70,579
Hotel receives property tax abatements for constructing and operating a hotel and conference center facility within the City.	Property Tax	80%	29,003
Hotel receives hotel tax abatements for constructing and operating a hotel and conference center facility within the City.	Hotel	100%	227,496
		Total	**$ 468,938**

Each agreement was negotiated under the property redevelopment and tax abatement act codified in chapter 312 of the Texas tax code which authorizes allowing localities to abate property taxes when the entity meets certain guidelines and criteria adopted by the governing body. The Tax Code provides that a tax abatement agreement may provide for the exemption of the real property in each year covered by the agreement only to the extent its increase in value for that year exceeds its value for the year in which the agreement is executed. Accordingly, only the increase in value may be abated. Moreover, the taxing unit could abate from one percent (1%) to one hundred percent (100%) the property taxes paid on the increase. A tax abatement agreement cannot exceed ten years in length.

The City has not made any commitments as part of the agreements other than to reduce taxes. The City is not subject to any tax abatement agreements entered into by other governmental entities. The City has chosen to disclose information about its tax abatement agreements individually. It established a quantitative threshold of 100% percent of the total dollar amount of taxes abated during the year.

I. Restatement

The City restated its beginning net position within government activities, business-type activities, the general fund and the utility fund to properly reflect corrections of accrued receivables and capital assets in the prior year. The below tables summarize the changes to net position and the respective fund balances as a result of these changes.

	Governmental Activities	General	General Bond	Nonmajor
Prior year ending net position/ fund balance as reported	$ 39,501,737	$ 8,026,084	$ 1,669,842	$ 1,577,958
To correct accrued receivable	(328,044)	(328,044)	-	-
To correct compensated absences	(1,014,907)	-	-	-
To correct capital contribution	(81,721)	-	-	-
To correct retainage payable	-	-	(783,525)	783,525
To correct capital assets	141,295	-	-	-
Restated beginning net position/fund balance	$ 38,218,360	$ 7,698,040	$ 886,317	$ 2,361,483

	Business-type Activities	Utility Fund
Prior year ending net position as reported	$ 22,621,081	$ 22,621,081
To correct compensated absences	(313,451)	(313,451)
To correct accrued interest payable	(194,101)	(194,101)
To correct capital assets	(192,750)	(192,750)
Restated beginning net position	$ 21,920,779	$ 21,920,779

J. Subsequent Events

Subsequent to September 30, 2019, there were no material events through March 11, 2020, the date the financial statements were available to be issued.

APPENDIX C

FORMS OF BOND COUNSEL'S OPINIONS

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Proposed Form of Opinion of Bond Counsel

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

[Issue Date]

CITY OF DENISON, TEXAS
COMBINATION TAX AND LIMITED SURPLUS REVENUE
CERTIFICATES OF OBLIGATION
SERIES 2021A
DATED MARCH 3, 2021
IN THE AGGREGATE PRINCIPAL AMOUNT OF $15,940,000

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

WE HAVE EXAMINED the Constitution and laws of the State of Texas, certified copies of the proceedings of the City Council of the Issuer relating to the issuance of the Certificates of Obligation, including the Ordinance and other documents authorizing and relating to the issuance of the Certificates of Obligation; and we have examined various certificates and documents executed by officers and officials of the Issuer upon which certificates and documents we rely as to certain matters stated below. We have also examined one of the executed Certificates (Number T-1).

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

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

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

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

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

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

Respectfully,

Financial Advisory Services
Provided By

HilltopSecurities
A Hilltop Holdings Company