

## OFFICIAL STATEMENT

March 16, 2021

*In the opinion of Bond Counsel (identified below), assuming continuing compliance by the Issuer (defined below) after the date of initial delivery of the Certificates (defined below) with certain covenants contained in the Ordinance (defined below) and subject to the matters described under "TAX MATTERS" herein, interest on the Certificates under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code, as amended to the date of initial delivery of the Certificates and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. (See "TAX MATTERS" herein.)*

**The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions.**

\$9,610,000

CITY OF DUMAS, TEXAS

(A political subdivision of the State of Texas located in Moore County, Texas)

COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021

Dated Date: April 1, 2021

Due: September 1, as shown on inside cover

The \$9,610,000 City of Dumas, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (the "Certificates") are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Commission of the City of Dumas, Texas (the "City" or the "Issuer") on March 16, 2021, and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)

The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Surplus Lien Obligations, and any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations or Additional Surplus Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Surplus Lien Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of surplus Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of such obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)

Interest on the Certificates will accrue from April 1, 2021 (the "Dated Date") as shown above and will be payable on March 1 and September 1 of each year, commencing March 1, 2022, until stated maturity or prior redemption, and will be calculated on the basis of a 360-day year of twelve 30-day months. The definitive Certificates will be issued as fully registered obligations in book-entry form only and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository. Book-entry interests in the Certificates will be made available for purchase in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Certificates ("Beneficial Owners") will not receive physical delivery of certificates representing their interest in the Certificates purchased. So long as DTC or its nominee is the registered owner of the Certificates, the principal of and interest on the Certificates will be payable by BOKF, NA, Dallas, Texas, as Paying Agent Registrar to the securities depository, which will in turn remit such principal and interest to its participants, which will in turn remit such principal and interest to the Beneficial Owners of the Certificates. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's combined utility system, including, but not limited to, improvements to the City's water system, Sewage Prime Lift Station, and Sewage Morton Lift Station; (2) constructing storm water, culvert, ditch, and related drainage improvements; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)



The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by BUILD AMERICA MUTUAL ASSURANCE COMPANY (See "BOND INSURANCE" and "BOND INSURANCE GENERAL RISKS" herein.)

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SEE FOLLOWING PAGE FOR STATED MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES, INITIAL YIELDS, CUSIP NUMBERS, AND REDEMPTION PROVISIONS FOR THE CERTIFICATES

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*The Certificates are offered for delivery, when, as and if issued and received by BOK Financial Securities, Inc., as the initial purchaser thereof at a competitive sale (the "Purchaser") and subject to the approving opinion of the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel. The legal opinion of Bond Counsel will be printed on, or attached to, the Certificates. (See "LEGAL MATTERS - Legal Opinions and No-Litigation Certificate" as "APPENDIX C – Form of Legal Opinion of Bond Counsel" herein). It is expected that the Certificates will be available for initial delivery through DTC on or about April 14, 2021.*

**\$9,610,000**  
**CITY OF DUMAS, TEXAS**  
(A political subdivision of the State of Texas located in Moore County, Texas)  
**COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021**

**MATURITY SCHEDULE**  
**(Due September 1)**

**CUSIP Prefix No. 264633 <sup>(1)</sup>**

<u>Stated</u> Maturity <u>September 1</u>	<u>Principal</u> <u>Amount</u>	<u>Initial</u> Rate <u>(%)</u>	<u>Initial</u> Yield <u>(%)</u>	<u>CUSIP</u> Suffix <sup>(1)</sup>
2022	\$ 265,000	2.000	0.300	KW7
2023	390,000	2.000	0.350	KX5
2024	370,000	2.000	0.400	KY3
2025	435,000	1.500	0.500	KZ0
2026	445,000	1.500	0.650	LA4
2027	450,000	1.500	0.750	LB2
2028	455,000	1.500	0.850	LC0
2029	465,000	2.000	1.000	LD8
2030	475,000	2.000	1.050	LE6
2031	480,000	2.000	1.200 <sup>(2)</sup>	LF3
2032	490,000	2.000	1.300 <sup>(2)</sup>	LG1
2033	500,000	2.000	1.400 <sup>(2)</sup>	LH9
2034	510,000	2.000	1.500 <sup>(2)</sup>	LJ5
2035	520,000	2.000	1.600 <sup>(2)</sup>	LK2
2036	530,000	2.000	1.700 <sup>(2)</sup>	LL0
2037	545,000	2.000	1.750 <sup>(2)</sup>	LM8
2038	555,000	2.000	1.800 <sup>(2)</sup>	LN6
2039	565,000	2.000	1.850 <sup>(2)</sup>	LP1
2040	575,000	2.000	1.900 <sup>(2)</sup>	LQ9
2041	590,000	2.000	1.950 <sup>(2)</sup>	LR7

**(Interest to accrue from Dated Date)**

The Issuer reserves the right to redeem the Certificates maturing on or after September 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on September 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest as further described herein. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)

- (1) CUSIP numbers are included solely for the convenience of the owner of the Certificates. CUSIP is a registered trademark of The American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by S&P Global Market Intelligence on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Services. None of the City, the Financial Advisor, or the Purchaser is responsible for the selection or correctness of the CUSIP numbers set forth herein.
- (2) Yield calculated to first call date, September 1, 2030.

*[The remainder of this page intentionally left blank]*

**CITY OF DUMAS, TEXAS**  
**124 West 6<sup>th</sup> Street**  
**Dumas, Texas 79029**

**ELECTED OFFICIALS**

Name	Years Served	Term Expires (May)	Occupation
Bob Brinkmann Mayor	5	2022	Financial Advisor
Justin Willis Commissioner, Place 1	6	2021	Self Employed
Ben Maples Commissioner, Place 2	6	2021	Retired
Mike Barr Commissioner, Place 3	2	2022	Refinery Superintendent
Pat Simms Commissioner, Place 4	16	2022	Retired

**ADMINISTRATION**

Name	Position	Length of Service (Years)
Arbie Taylor	City Manager	8
Summer Giffin	Finance Director	2
Tonya Montoya	City Secretary	2

**CONSULTANTS AND ADVISORS**

**Bond Counsel** .....Norton Rose Fulbright US LLP  
Austin and San Antonio, Texas

**Certified Public Accountants** .....Doshier, Pickens & Francis, LLC  
Amarillo, Texas

**Financial Advisor** .....SAMCO Capital Markets, Inc.  
San Antonio, Texas

***For Additional Information Please Contact:***

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City Manager  
Ms. Summer Giffin  
Finance Director  
**City of Dumas**  
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Dumas, Texas 79029  
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sgiffin@dumastx.gov

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Mr. Andrew T. Friedman  
**SAMCO Capital Markets, Inc.**  
1020 NE Loop 410, Suite 640  
San Antonio, Texas 78209  
Phone: (210) 832-9760  
mmcliney@samcocapital.com  
afriedman@samcocapital.com

**USE OF INFORMATION IN THE OFFICIAL STATEMENT**

No dealer, broker, salesman, or other person has been authorized to give any information, or to make any representation other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Issuer. This Official Statement is not to be used in connection with an offer to sell or the solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer or solicitation. Any information or expression of opinion herein contained are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Issuer or other matters described herein since the date hereof.

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

NONE OF THE CITY, ITS FINANCIAL ADVISOR, OR THE PURCHASER MAKE ANY REPRESENTATION OR WARRANTY WITH RESPECT TO THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT REGARDING EITHER THE DEPOSITORY TRUST COMPANY OR ITS BOOK-ENTRY-ONLY SYSTEM AS SUCH INFORMATION IS PROVIDED BY DTC, OR THE BOND INSURER, IF ANY, AND ITS MUNICIPAL BOND INSURANCE POLICY.

The Financial Advisor 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 its responsibilities to the Issuer 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.

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

The agreements of the City and others related to the Certificates are contained solely in the contracts described herein. Neither this Official Statement nor any other statement made in connection with the offer or sale of the Certificates is to be construed as constituting an agreement with the Purchaser of the Certificates. INVESTORS SHOULD READ THE ENTIRE OFFICIAL STATEMENT, INCLUDING ALL APPENDICES ATTACHED HERETO, TO OBTAIN INFORMATION ESSENTIAL TO MAKING AN INFORMED INVESTMENT DECISION.

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

## SELECTED DATA FROM THE OFFICIAL STATEMENT

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

<b>The Issuer</b>	The City of Dumas, Texas (the "City" or "Issuer") is a home rule municipality and a political subdivision of the State of Texas located in Moore County and operates under a Commission-Manager form of government with the City Commission having responsibility for establishing policies, enacting legislation, adopting budgets and appointing the City Manager, and the City Manager being responsible for the administration and operation of the government of the City. The City Commission is comprised of five members including the Mayor who are elected at-large for three-year staggered terms. The City's 2020 population estimate is 15,500. (See "APPENDIX B – General Information Regarding the City of Dumas and Moore County, Texas" herein.)
<b>The Certificates</b>	The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State"), particularly the Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064, Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Commission of the City, on March 16, 2021 and the City's Home Rule Charter. (See "THE CERTIFICATES - Authority for Issuance" herein.)
<b>Paying Agent/Registrar</b>	The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas.
<b>Security</b>	The Certificates constitute direct and general obligations of the Issuer payable primarily from the proceeds of an annual ad valorem tax levied upon all taxable property within the City, within the limitations prescribed by law, and are further payable from and secured by a lien on and pledge of the Pledged Revenues (identified and defined in the Ordinance), being a limited amount of the Net Revenues derived from the operation of the City's combined utility system (the "System"), not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge of such Net Revenues securing payment of the currently outstanding Surplus Lien Obligations, and any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations or Additional Surplus Lien Obligations hereafter issued by the City. The City previously authorized the issuance of the currently outstanding Surplus Lien Obligations (identified and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of surplus Net Revenues of the System in the manner provided in the ordinance authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise. (See "THE CERTIFICATES - Security for Payment" and "AD VALOREM PROPERTY TAXATION – Debt Tax Rate Limitations" herein.)
<b>Redemption Provisions of the Certificates</b>	The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature on or after September 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof, on September 1, 2030, or any date thereafter, at the redemption price of par plus accrued interest to the date fixed for redemption. (See "THE CERTIFICATES - Redemption Provisions of the Certificates" herein.)
<b>Tax Matters</b>	In the opinion of Bond Counsel, the interest on the Certificates will be excludable from gross income of the owners thereof for purposes of federal income taxation under existing statutes, regulations, published rulings and court decisions, subject to matters discussed herein under "TAX MATTERS". (See "TAX MATTERS" and "APPENDIX C - Form of Opinion of Bond Counsel" herein.)
<b>Qualified Tax-Exempt Obligations</b>	The Issuer has designated the Certificates as "Qualified Tax-Exempt Obligations" for financial institutions. (See "TAX MATTERS - Qualified Tax-Exempt Obligations" herein.)
<b>Use of Certificate Proceeds</b>	Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, and improving the City's combined utility system, including, but not limited to, improvements to the City's water system, Sewage Prime Lift Station, and Sewage Morton Lift Station; (2) constructing storm water, culvert, ditch, and related drainage improvements; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of

the aforementioned projects. (See "THE CERTIFICATES - Use of Certificate Proceeds" herein.)

**Bond Insurance**

The scheduled payment of principal of and interest on the Certificates when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Certificates by **BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM")**. See "BOND INSURANCE," "BOND INSURANCE GENERAL RISKS," and "APPENDIX E" herein.)

**Ratings**

The Certificates are rated "AA" (stable outlook) by S&P Global Ratings, a division of S&P Global ("S&P"), by virtue of a municipal bond insurance policy to be issued by BAM. S&P has assigned an underlying, unenhanced rating of "A-" to the Certificates without regard to credit enhancement. An explanation of the significance of such rating may be obtained from S&P (See "OTHER PERTINENT INFORMATION – Ratings" herein.)

**Payment Record**

The City has never defaulted on the payment of its general obligation or revenue indebtedness.

**Future Debt Issues**

The Issuer does not anticipate the issuance of any additional ad valorem tax debt in 2021 except potentially refunding bonds for debt service savings.

**Delivery**

When issued, anticipated on or about April 14, 2021.

**Legality**

Delivery of the Certificates is subject to the approval by the Attorney General of the State of Texas and the approval of certain legal matters by Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, Bond Counsel.

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## OFFICIAL STATEMENT

relating to

\$9,610,000

CITY OF DUMAS, TEXAS

(A political subdivision of the State of Texas located in Moore County, Texas)  
COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION,  
SERIES 2021

### INTRODUCTORY STATEMENT

This Official Statement provides certain information in connection with the issuance by the City of Dumas, Texas (the “City” or the “Issuer”) of its \$9,610,000 Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (the “Certificates”) identified on the cover page.

The Issuer is a political subdivision of the State of Texas (the “State”) and a municipal corporation organized and existing under the Constitution and laws of the State of Texas and its Home Rule Charter. Unless otherwise indicated, capitalized terms used in this Official Statement have the same meanings assigned to such terms in the Ordinance. Included in this Official Statement are descriptions of the Certificates and certain information about the Issuer and its finances. ***ALL DESCRIPTIONS OF DOCUMENTS CONTAINED HEREIN ARE SUMMARIES ONLY AND ARE QUALIFIED IN THEIR ENTIRETY BY REFERENCE TO EACH SUCH DOCUMENT.*** Copies of such documents may be obtained upon request from the Issuer or its Financial Advisor, SAMCO Capital Markets, Inc., 1020 NE Loop 410, Suite 640, San Antonio, Texas 78209, via electronic mail or upon payment of reasonable copying, handling, and delivery charges.

All financial and other information presented in this Official Statement has been provided by the City from its records, except for information expressly attributed to other sources. The presentation of information, including tables of receipts from taxes and other sources, is intended to show recent historic information, and is not intended to indicate future or continuing trends in financial position or other affairs of the City. No representation is made that past experience, as is shown by financial and other information, will necessarily continue or be repeated in the future.

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

#### **Infectious Disease Outbreak – COVID-19**

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

On March 13, 2020, the Governor of Texas (the “Governor”) declared a state of disaster for all counties in Texas in response to the Pandemic which has been subsequently extended and is still in effect. In addition, certain local officials, including the City and Moore County, have also declared a local state of disaster. 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. The Governor has issued a number of executive orders relating to COVID-19 preparedness and mitigation. However, on March 2, 2021, the Governor issued Executive Order GA-34, which supersedes most of the executive orders relating to COVID-19 and provides, generally, for the reopening of the State to 100%, ends the COVID-19 mask mandate, and supersedes any conflicting order issued by local officials in response to COVID-19, among other things and subject to certain limitations. Executive Order GA-34 took effect on March 10, 2021. Executive Order GA-34 remains in place until amended, rescinded, or superseded by the Governor. Additional information regarding executive orders issued by the Governor is accessible on the website of the Governor at <https://gov.texas.gov/>. Neither the information on (nor accessed through) such website of the Governor is incorporated by reference, either expressly or by implication, into this Official Statement.

The City collects a sales and use tax on all taxable transactions within the City’s boundaries, revenue from the sale of gas, water and the collection of sewage, franchise fees based on private utility sales, hotel occupancy taxes upon the occupancy of any hotel or motel room in the City, and other excise taxes and fees that depend on business activity. Further actions may be taken to slow the Pandemic which may reduce economic activity within the City on which the City collects taxes, charges, and fees. A reduction in the collection of sales or other excise taxes, utility system revenue, hotel occupancy tax revenues, and utility franchise and other fees and charges may negatively impact the City’s operating budget and overall financial condition. In addition, the Pandemic has resulted in volatility of the value of investments in pension funds. Any prolonged continuation of the Pandemic could further weaken asset values or slow or prevent their recovery, which could require increased City contributions to fund or pay retirement and other post-employment benefits in the future.

The full extent of the ongoing impact of COVID-19 on the City’s longer-term operational and financial performance will depend on future developments, many of which are outside of its control, including the effectiveness of the mitigation strategies discussed above, the duration and spread of COVID-19, and future governmental actions, all of which are highly uncertain and cannot be predicted. 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 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 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 within the City. The financial and operating data contained herein are the latest available but are for the dates and the periods stated herein, which are for periods prior to the economic impact of the Pandemic and efforts to slow it. It is unclear at this time what effect, if any, COVID-19 and resulting economic disruption may have on future assessed values or the collection of taxes, either because of delinquencies or collection and valuation relief resulting from the declared emergency. The Certificates are secured by a limited ad valorem tax and a limited amount of Hotel Occupancy Tax Revenues, 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 share of operations and maintenance expenses payable from ad valorem taxes.

## **2021 Weather Event**

General. From February 14, 2021 through February 19, 2021, the continental United States experienced a severe winter storm (the "2021 Event"). As a result of the 2021 Event, areas throughout Texas experienced widespread, record breaking cold.

Beginning February 12, 2021 and continuing over the next several days, the natural gas and real-time wholesale power markets experienced extreme price volatility. With multiple natural gas pipelines restricting gas flows and significant power demand increases, next day delivery natural gas spot prices at various delivery hubs skyrocketed from an average of less than \$3.00 per million British thermal unit (mBtu) to \$1,250 per (mBtu) at their peak. The price per megawatt hour (MWh) of electricity exceeded \$9,000, when it had settled at only \$30 on February 10, 2021.

Due to effects of the 2021 Event and a reduction in available gas supply, approximately 185 generating units in the Electric Reliability Council of Texas ("ERCOT") grid tripped offline, and the grid lost roughly 46,000 MW of generation. In order to limit demand and protect the integrity of the grid, ERCOT implemented widespread and prolonged blackouts. As a result, approximately 4 million Texas residents were without power for significant stretches of the week.

Extended subfreezing temperatures caused water pipes to freeze and burst, and combined with the lack of power, eventually led to multiple water system failures across the State that impacted water availability generally and, in some instances, required the issuance of water boil notices. Initial reports indicated that roughly 14 million Texans were under boil water notices as of February 19, 2021.

On February 19, 2021, the President of the United States issued a Major Disaster Declaration for 77 counties in Texas, which was subsequently expanded to cover an addition 31 counties. The Texas Governor, on February 18, 2021, declared a new emergency item for the current Texas legislative session (in session until May 31, 2021) in which he requested the Legislature to mandate the winterization of Texas' power system and to ensure the necessary funding for winterization.

Impact on the City. Currently, the City does not anticipate that the 2021 Event will have a material financial impact on the City, including its municipal gas utility system.

## **THE CERTIFICATES**

### **General Description of the Certificates**

The Certificates are dated April 1, 2021 (the "Dated Date"), will mature on the dates and in the principal amounts and will bear interest at the rates set forth on page 2 of this Official Statement. The Certificates will be registered and issued in denominations of \$5,000 or any integral multiple thereof. The Certificates will bear interest from the Dated Date, or from the most recent date to which interest has been paid or duly provided for, and will be paid semiannually on March 1 and September 1 of each year, commencing March 1, 2022, until stated maturity or prior redemption. Principal of and interest on the Certificates are payable in the manner described herein under "BOOK-ENTRY-ONLY SYSTEM". In the event the Book-Entry-Only System is discontinued, the interest on the Certificates payable on an interest payment date will be payable to the registered owner as shown on the security register maintained by BOKF, NA, Dallas, Texas as the initial Paying Agent/Registrar, as of the Record Date (defined below), by check, mailed first-class, postage prepaid, to the address of such person on the security register or by such other method acceptable to the Paying Agent/Registrar requested by and at the risk and expense of the registered owner. In the event the Book-Entry-Only System is discontinued, principal of the Certificates will be payable at stated maturity or prior redemption upon presentation and surrender thereof at the corporate trust office of the Paying Agent/Registrar.

If the date for the payment of the principal of or interest on the Certificates is a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/Registrar is located are authorized by law or executive order to close, then the date for such payment will be the next succeeding day which is not a Saturday, Sunday, legal holiday or a day on which banking institutions are authorized to close; and payment on such date will have the same force and effect as if made on the original date payment was due.

### **Authority for Issuance**

The Certificates are being issued pursuant to the Constitution and general laws of the State of Texas (the "State") particularly Certificate of Obligation Act of 1971 (Sections 271.041 through 271.064 Texas Local Government Code, as amended), Chapter 1502, as amended, Texas Government Code, an ordinance (the "Ordinance") to be adopted by the City Commission of the City (the "City Commission") on March 16, 2021, and the City's Home Rule Charter.



## **Security for Payment**

*Limited Pledge of Ad Valorem Taxes.* The Certificates are general obligations of the City, payable from its collection of an ad valorem tax levied annually, within the legal limitations imposed by law, upon all taxable property located in the City. (See "AD VALOREM TAX PROCEDURES" and "TAX RATE LIMITATIONS" herein.)

*Limited Revenue Pledge Benefiting the Certificates.* Solely to comply with Texas law allowing the Certificates to be sold for cash, the Certificates are further secured by a lien on and pledge of the Pledged Revenues (being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the "System") not to exceed \$1,000 during the entire period the Certificates or interest thereon remain outstanding, such lien and pledge, however, being subordinate and inferior to the lien on and pledge of the Net Revenues securing the payment of the currently outstanding Surplus Lien Obligations, and any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations or Additional Surplus Lien Obligations (each as described and defined in the Ordinance) hereinafter issued by the Issuer. The City previously authorized the issuance of the currently outstanding Surplus Lien Obligations (as described and defined in the Ordinance) which are payable, in part, from and secured by a lien on and pledge of the surplus Net Revenues in the manner provided in the ordinances authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance, the City reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations and Additional Limited Pledge Obligations (all as identified and defined in the Ordinance), while the Certificates are Outstanding, without limitation as to principal amount but subject to any terms, conditions or restrictions as may be applicable thereto under law or otherwise.

## **Redemption Provisions of the Certificates**

The Issuer reserves the right, at its sole option, to redeem Certificates stated to mature, on or after September 1, 2031, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof on September 1, 2030, or any date thereafter, at the par value thereof plus accrued interest to the date fixed for redemption.

## **Notice of Redemption**

At least 30 days prior to the date fixed for any redemption of any Certificates or portions thereof prior to stated maturity, the Issuer shall cause notice of such redemption to be sent by United States mail, first-class postage prepaid, to the registered owner of each Certificate or a portion thereof to be redeemed at its address as it appeared on the registration books of the Paying Agent/Registrar on the day such notice of redemption is mailed. By the date fixed for any such redemption, due provision shall be made with the Paying Agent/Registrar for the payment of the required redemption price for the Certificates or portions thereof which are to be so redeemed. If such notice of redemption is given and if due provision for such payment is made, all as provided above, the Certificates or portions thereof which are to be so redeemed thereby automatically shall be treated as redeemed prior to their scheduled maturities, and they shall not bear interest after the date fixed for redemption, and they shall not be regarded as being outstanding except for the right of the registered owner to receive the redemption price from the Paying Agent/Registrar out of the funds provided for such payment.

ANY NOTICE OF REDEMPTION SO MAILED SHALL BE CONCLUSIVELY PRESUMED TO HAVE BEEN DULY GIVEN IRRESPECTIVE OF WHETHER RECEIVED BY THE CERTIFICATEHOLDER, AND, PROVIDED THAT PROVISION FOR PAYMENT OF THE REDEMPTION PRICE IS MADE AND ANY OTHER CONDITIONS TO REDEMPTION ARE SATISFIED, INTEREST ON THE REDEEMED CERTIFICATES SHALL CEASE TO ACCRUE FROM AND AFTER SUCH REDEMPTION DATE NOTWITHSTANDING THAT A CERTIFICATE HAS NOT BEEN PRESENTED FOR PAYMENT.

The Paying Agent/Registrar and the Issuer, 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 or indirect participant to notify the 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 Issuer 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 and then DTC participants and indirect participants may 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 Issuer or the Paying Agent/Registrar. Neither the Issuer nor the Paying Agent/Registrar will have any responsibility to DTC participants, indirect participants or the persons for whom DTC participants act as nominees, with respect to the payments on the Certificates or the providing of notice to DTC participants, indirect participants, or Beneficial Owners of the selection of portions of the Certificates for redemption. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

## **Selection of Certificates to be Redeemed**

The Certificates of a denomination larger than \$5,000 may be redeemed in part (in increments of \$5,000 or any integral multiple thereof). The Certificates to be partially redeemed must be surrendered in exchange for one or more new Certificates for the unredeemed portion of the principal. If less than all of the Certificates are to be redeemed, the Issuer will determine the amounts to be redeemed and will direct the Paying Agent/Registrar (or DTC while the Certificates are in Book-Entry-Only form) to select, at random and by lot, the particular Certificates, or portion thereof, to be redeemed. If a Certificate (or any portion of the principal sum thereof) will have been called for redemption and notice of such redemption will have been given, such Certificate (or the principal amount thereof to be redeemed), will become due and payable on such redemption date and interest thereon will 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.

**Use of Certificate Proceeds**

Proceeds from the sale of the Certificates will be used for the purpose of paying contractual obligations of the City to be incurred for making permanent public improvements and for other public purposes, to-wit: (1) constructing, acquiring, purchasing, renovating, enlarging, and improving the City’s combined utility system, including, but not limited to, improvements to the City’s water system, Sewage Prime Lift Station, and Sewage Morton Lift Station; (2) constructing storm water, culvert, ditch, and related drainage improvements; (3) the purchase of materials, supplies, equipment, machinery, landscaping, land, and rights-of-way for authorized needs and purposes relating to the aforementioned capital improvements; and (4) payment for professional services relating to the design, construction, project management, and financing of the aforementioned projects.

**Sources and Uses**

Sources	
Par Amount of the Certificates	\$ 9,610,000.00
Accrued Interest on the Certificates	6,618.26
Reoffering Premium	<u>380,066.10</u>
Total Sources of Funds	<u>\$ 9,996,684.36</u>
Uses	
Project Fund Deposit	\$ 9,750,000.00
Purchaser’s Discount (Including bond insurance premium, if any)	132,749.30
Certificate Fund Deposit	6,618.26
Costs of Issuance	<u>107,316.80</u>
Total Uses	<u>\$ 9,996,684.36</u>

**Payment Record**

The Issuer has never defaulted on the payment of its ad valorem tax-backed indebtedness.

**Amendments**

The Issuer may amend the Ordinance without the consent of or notice to any registered owners in any manner not detrimental to the interests of the registered owners, including the curing of any ambiguity, inconsistency, or formal defect or omission therein. In addition, the Issuer may, with the written consent of the holders of a majority in aggregate principal amount of the Certificates then outstanding affected thereby, amend, add to, or rescind any of the provisions of the Ordinance; except that, without the consent of the registered owners of all of the Certificates affected, no such amendment, addition, or rescission may (1) change the date specified as the date on which the principal of or any installment of interest on any Certificate is due and payable, reduce the principal amount thereof, or the rate of interest thereon, change the redemption price or amounts, change the place or places at or the coin or currency in which any Certificate or interest thereon is payable, or in any other way modify the terms of payment of the principal of or interest on the Certificates, (2) give any preference to any Certificate over any other Certificate, (3) extend any waiver of default to subsequent defaults, or (4) reduce the aggregate principal amount of Certificates required for consent to any amendment, change, modification, or waiver.

**Defeasance**

The Ordinance provides for the defeasance of the Certificates when payment of the principal amount of the Certificates plus interest accrued on the Certificates to their due date (whether such due date be by reason of stated maturity, redemption, or otherwise), is provided by irrevocably depositing with a paying agent, or other authorized escrow agent, in trust (1) money in an amount sufficient to make such payment, and/or (2) Government Securities (defined below), 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. The foregoing deposits shall be certified as to sufficiency by an independent accounting firm, the City’s Financial Advisor, the Paying Agent/Registrar, or such other qualified financial institution (as provided in the Ordinance). The City has additionally reserved the right, subject to satisfying the requirements of (1) and (2) above, to substitute other Government Securities originally deposited, to reinvest the uninvested moneys on deposit for such defeasance and to withdraw for the benefit of the City moneys in excess of the amount required for such defeasance. The Ordinance provides that “Government Securities” means any securities and obligations now or hereafter authorized by State law that are eligible to discharge obligations such as the Certificates. Current State law permits defeasance with the following types of securities: (a) direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America, (b) noncallable obligations of an agency or instrumentality of the United States of America, including obligations that are unconditionally guaranteed or insured by the agency or instrumentality and that, on the date of the purchase thereof, are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, (c) noncallable obligations of a state or an agency or a county, municipality, or other political subdivision of a state that on the date the governing body of the City adopts or approves the proceedings authorizing the financial arrangements have been refunded and are rated as to investment quality by a nationally recognized investment rating firm not less than AAA or its equivalent, and (d) any additional securities and obligations hereafter authorized by State law as eligible for use to accomplish the discharge of obligations such as the Certificates. There is no assurance that the ratings for U.S. Treasury securities acquired to defease any Certificates, or those for any other Government Securities, will be maintained at any particular rating category. Further, there is no assurance that current State law will not be amended in a manner that expands or contracts the list of permissible defeasance securities (such list consisting of these securities identified in clauses (a) through (c) above), or any rating requirement thereon, that may be purchased with defeasance proceeds relating to the Certificates (“Defeasance Proceeds”), though the City has reserved the right to utilize any additional securities for such purpose in the event the aforementioned list is expanded. Because the Ordinance does not contractually limit such permissible defeasance securities and expressly recognizes the ability of the City to use lawfully available Defeasance Proceeds to defease all or any portion of the Certificates, registered owners of Certificates are deemed to have consented to the use of Defeasance Proceeds to purchase such other defeasance securities,

notwithstanding the fact that such defeasance securities may not be of the same investment quality as those currently identified under State law as permissible defeasance securities.

Upon such deposit as described above, such Certificates shall no longer be regarded to be outstanding or unpaid. After firm banking and financial arrangements for the discharge and final payment of the Certificates have been made as described above, all rights of the City to initiate proceedings to call the Certificates for redemption or take any other action amending the terms of the Certificates are extinguished; provided, however, the City has the option, to be exercised at the time of the defeasance of the Certificates, to call for redemption at an earlier date those Certificates 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.

### **Default and Remedies**

If the City defaults in the payment of principal, interest, or redemption price on the Certificates when due, or if it fails to make payments into any fund or funds created in the Ordinance, or defaults in the observation or performance of any other covenants, conditions, or obligations set forth in the Ordinance, the registered owners may seek a writ of mandamus to compel City officials to carry out their legally imposed duties with respect to the Certificates, if there is no other available remedy at law to compel performance of the Certificates or the Ordinance and the City's obligations are not uncertain or disputed. The issuance of a writ 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 bondholders upon any failure of the City to perform in accordance with the terms of the Ordinance, or upon any other condition and accordingly all legal actions to enforce such remedies would have to be undertaken at the initiative of, and be financed by, the registered owners. The Texas Supreme Court ruled in *Tooke v. City of Mexia*, 197 S.W.3d 325 (Tex. 2006) that a waiver of sovereign immunity in a contractual dispute must be provided for by statute in "clear and unambiguous" language.

Furthermore, *Tooke*, and subsequent jurisprudence, held that a municipality is not immune from suit for torts committed in the performance of its proprietary functions, as it is for torts committed in the performance of its governmental functions (the "Proprietary-Governmental Dichotomy"). Governmental functions are those that are enjoined on a municipality by law and are given by the State as a part of the State's sovereignty, to be exercised by the municipality in the interest of the general public, while proprietary functions are those that a municipality may, in its discretion, perform in the interest of the inhabitants of municipality.

In *Wasson Interests, Ltd., v. City of Jacksonville*, 489 S.W.3d 427 (Tex. 2016) ("Wasson") the Texas Supreme Court (the "Court") addressed whether the distinction between governmental and proprietary acts (as found in tort-based causes of action) applies to breach of contract claims against municipalities. The Court analyzed the rationale behind the Proprietary-Governmental Dichotomy to determine that "a city's proprietary functions are not done pursuant to the 'will of the people'" and protecting such municipalities "via the [S]tate's immunity is not an efficient way to ensure efficient allocation of [S]tate resources". While the Court recognized that the distinction between government and proprietary functions is not clear, the Wasson opinion held that Proprietary-Governmental Dichotomy applies in contract-claims context. The Court reviewed Wasson again in June 2018 and clarified that to determine whether governmental immunity applies to a breach of contract claim, the proper inquiry is whether the municipality was engaged in a governmental or proprietary function when it entered into the contract, not at the time of alleged breach. Therefore, in regard to municipal contract cases (as in tort claims), it is incumbent on the courts to determine whether a function is proprietary or governmental based upon the statutory guidance and definitions found in the Texas Civil Practice and Remedies Code.

Notwithstanding the foregoing new case law issued by the Court, such sovereign immunity issues have not been adjudicated in relation to bond matters (specifically, in regard to the issuance of municipal debt). Each situation will be prospectively evaluated based on the facts and circumstances surrounding the contract in question to determine if a suit, and subsequently, a judgment, is justiciable against a municipality.

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. As noted above, the Ordinance provides that Certificate holders may exercise the remedy of mandamus to enforce the obligations of the City under the Ordinance. Neither the remedy of mandamus nor any other type of injunctive relief was at issue in *Tooke*, and it is unclear whether *Tooke* will be construed to have any effect with respect to the exercise of mandamus, as such remedy has been interpreted by Texas courts. In general, Texas courts have held that a writ of mandamus may be issued to require public officials to perform ministerial acts that clearly pertain to their duties. Texas courts have held that a ministerial act is defined as a legal duty that is prescribed and defined with a precision and certainty that leaves nothing to the exercise of discretion or judgment, though mandamus is not available to enforce purely contractual duties. However, mandamus may be used to require a public officer to perform legally imposed ministerial duties necessary for the performance of a valid contract to which the State or a political subdivision of the State is a party (including the payment of monies due under a contract). Furthermore, the City is eligible to seek relief from its creditors under Chapter 9 of the U.S. Bankruptcy Code ("Chapter 9"). Although Chapter 9 provides for the recognition of a security interest represented by a specifically pledged source of revenues, the pledge of ad valorem taxes in support of a general obligation of a bankrupt entity is not specifically recognized as a security interest under Chapter 9. Chapter 9 also includes an automatic stay provision that would prohibit, without Bankruptcy Court approval, the prosecution of any other legal action by creditors or bondholders of an entity which has sought protection under Chapter 9. Therefore, should the City avail itself of Chapter 9 protection from creditors, the ability to enforce would be subject to the approval of the Bankruptcy Court (which could require that the action be heard in Bankruptcy Court instead of other federal or state court); and the Bankruptcy Code provides for broad discretionary powers of a Bankruptcy Court in administering any proceeding brought before it. The opinion of Bond Counsel will note that all opinions relative to the enforceability of the Ordinance and the Certificates are qualified with respect to the customary rights of debtors relative to their creditors and general principles of equity that permit the exercise of judicial discretion.

## **REGISTRATION, TRANSFER AND EXCHANGE**

### **Paying Agent/Registrar**

The initial Paying Agent/Registrar is BOKF, NA, Dallas, Texas. In the Ordinance, the Issuer retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the Issuer, the new Paying Agent/Registrar shall accept the previous Paying Agent/Registrar's records and act in the same capacity as the previous Paying Agent/Registrar. Any successor Paying Agent/Registrar, selected at the sole discretion of the Issuer, shall be a national or state banking association or corporation organized and doing business under the laws of the United States of America or of any state, authorized under such laws to exercise trust powers, shall be subject to supervision or examination by federal or state authority, and registered as a transfer agent with the United States Securities and Exchange Commission. Upon a change in the Paying Agent/Registrar for the Certificates, the Issuer agrees to promptly cause written notice thereof to be sent to each registered owner of the Certificates affected by the change by United States mail, first-class, postage prepaid.

The Certificates will be issued in fully registered form in multiples of \$5,000 for any one stated maturity, and principal and semiannual interest will be paid by the Paying Agent/Registrar. Interest will be paid by check or draft mailed on each interest payment date by the Paying Agent/Registrar to the registered owner at the last known address as it appears on the Paying Agent/Registrar's books or by such other method, acceptable to the Paying Agent/Registrar, requested by and at the risk and expense of the registered owner. Principal will be paid to the registered owner at stated maturity or prior redemption upon presentation to the Paying Agent/Registrar; provided however, that so long as DTC's Book-Entry-Only System is used, all payments will be made as described under "BOOK-ENTRY-ONLY SYSTEM" herein. If the date for the payment of the principal or interest on the Certificates shall be a Saturday, Sunday, a legal holiday or a day when banking institutions in the city where the Paying Agent/ Registrar is located are authorized to close, then the date for such payment shall be the next succeeding day which is not such a day, and payment on such date shall have the same force and effect as if made on the date payment was due.

### **Record Date**

The record date ("Record Date") for determining the party to whom interest is payable on a Certificate on any interest payment date means the fifteenth (15<sup>th</sup>) day of the month next preceding each interest payment date. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment will be established by the Paying Agent/Registrar. (See "REGISTRATION, TRANSFER, AND EXCHANGE - Special Record Date for Interest Payment" herein.)

### **Special Record Date for Interest Payment**

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

### **Future Registration**

In the event the Certificates are not in the Book-Entry-Only System, the Certificates may be transferred, registered, and assigned on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar, and such registration and transfer shall be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration and transfer. A Certificate may be assigned by the execution of an assignment form on the Certificate or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Certificate or Certificates will be delivered by the Paying Agent/Registrar in lieu of the Certificates being transferred or exchanged at the corporate trust office of the Paying Agent/Registrar, or sent by United States registered mail to the new registered owner at the registered owner's request, risk and expense. New 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 (3) business days after the receipt of the Certificates to be canceled in the exchange or transfer and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in form satisfactory to the Paying Agent/Registrar. New Certificates registered and delivered in an exchange or transfer shall be in denominations of \$5,000 for any one stated maturity or any integral multiple thereof and for a like aggregate principal amount and rate of interest as the Certificate or Certificates surrendered for exchange or transfer. (See "BOOK-ENTRY-ONLY SYSTEM" herein for a description of the system to be utilized in regard to ownership and transferability of the Certificates.)

### **Limitation on Transfer of Certificates**

Neither the Issuer nor the Paying Agent/Registrar shall be required to make any such transfer, conversion or exchange (i) during the period commencing with the close of business on any Record Date and ending with the opening of business on the next following principal or interest payment date or (ii) with respect to any Certificate or any portion thereof called for redemption prior to maturity, within 45 days prior to its redemption date; provided, however, that such limitation shall not apply to uncalled portions of a Certificate redeemed in part.

### **Replacement Certificates**

The Issuer has agreed to replace mutilated, destroyed, lost, or stolen Certificates upon surrender of the mutilated Certificates to the Paying Agent/Registrar, or receipt of satisfactory evidence of such destruction, loss, or theft, and receipt by the Issuer and Paying Agent/Registrar of security or indemnity as may be required by either of them to hold them harmless. The Issuer may require payment of taxes, governmental

charges, and other expenses in connection with any such replacement. The person requesting the authentication of and delivery of a replacement Certificate must comply with such other reasonable regulations as the Paying Agent/Registrar may prescribe and pay such expenses as the Paying Agent/Registrar may incur in connection therewith.

## BOND INSURANCE

### BOND INSURANCE POLICY

Concurrently with the issuance of the Certificates, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Certificates (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Certificates when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

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

### BUILD AMERICA MUTUAL ASSURANCE COMPANY

BAM is a New York domiciled mutual insurance corporation and is licensed to conduct financial guaranty insurance business in all fifty states of the United States and the District of Columbia. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27<sup>th</sup> Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: [www.buildamerica.com](http://www.buildamerica.com).

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM’s financial strength is rated “AA/Stable” by S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”). An explanation of the significance of the rating and current reports may be obtained from S&P at [www.standardandpoors.com](http://www.standardandpoors.com). The rating of BAM should be evaluated independently. The rating reflects the S&P’s current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Certificates, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Certificates. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Certificates on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Certificates, nor does it guarantee that the rating on the Certificates will not be revised or withdrawn.

#### *Capitalization of BAM*

BAM’s total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2020 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$485.4 million, \$160.7 million and \$324.7 million, respectively.

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

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

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

#### *Additional Information Available from BAM*

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

**Credit Profiles.** Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily

accessible on BAM's website at [www.buildamerica.com/credit-profiles](http://www.buildamerica.com/credit-profiles). BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

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

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

## **BOND INSURANCE GENERAL RISKS**

### **General**

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

In the event the Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Certificates are payable from the ad valorem tax levied, within the limitations prescribed by law, on all taxable property located within the City and by a pledge of a limited amount of the Net Revenues derived from the operation of the System as further described under "THE CERTIFICATES – Security for Payment". In the event the Insurer becomes obligated to make payments with respect to the Certificates, no assurance is given that such event will not adversely affect the market price or the marketability (liquidity) of the Certificates.

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

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

None of the City, the Financial Advisor, or the Underwriters have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the City to pay principal and interest on the Certificates and the claims-paying ability of any potential Bond Insurer, particularly over the life of the Certificates.

### **Claims-Paying Ability and Financial Strength of Municipal Bond Insurers**

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

## **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, the Financial Advisor, and the Purchaser believe the source of such information to be reliable, but take 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

United States 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 bond certificate will be issued for the Certificates, in the aggregate principal amount of such issue, 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, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a S&P Global Ratings rating of AA+. The DTC Rules applicable to its Participants are on file with the United States Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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, 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, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent/Registrar, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of 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 the Paying Agent/Registrar, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Certificates at any time by giving reasonable notice to Issuer or Paying Agent/Registrar. Under such circumstances, in the event that a successor depository is not obtained, physical certificates are required to be printed and delivered. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, physical certificates will be printed and delivered to the holder of such Certificates and will be

subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “REGISTRATION, TRANSFER AND EXCHANGE” hereinabove.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the City, the Financial Advisor, and the Purchaser believe to be reliable, but none of the City, the Financial Advisor, or the Purchaser take responsibility for the accuracy thereof.

So long as Cede & Co. is the registered owner of the Certificates, the Issuer will have no obligation or responsibility to the DTC. Participants or Indirect Participants, or the persons for which they act as nominees, with respect to payment to or providing of notice to such Participants, or the persons for which they act as nominees.

#### **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, payment or notices that are to be given to registered owners under the Ordinance will be given only to DTC.

#### **Effect of Termination of Book-Entry-Only System**

In the event that the Book-Entry-Only System is discontinued by DTC or the use of the Book-Entry-Only System is discontinued by the City, printed certificates representing the Certificates will be issued to the holders and the Certificates will be subject to transfer, exchange and registration provisions as set forth in the Ordinance and summarized under “REGISTRATION, TRANSFER AND EXCHANGE – Future Registration.”

### **INVESTMENT POLICIES**

The City invests its investable funds in investments authorized by State law and in accordance with investment policies approved and reviewed annually by the City Commission of the City. Both State law and the City’s investment policies are subject to change.

#### **Legal Investments**

Under State law and subject to certain limitations, the City is authorized to invest in (1) obligations of the United States or its agencies and instrumentalities; (2) direct obligations of the State of Texas or its agencies and instrumentalities; (3) collateralized mortgage obligations issued and secured by a federal agency or instrumentality of the United States; (4) other obligations unconditionally guaranteed or insured by the State of Texas or the United States or their respective agencies and instrumentalities; (5) “A” or better rated obligations of states, agencies, counties, cities, and other political subdivisions of any state; (6) bonds issued, assumed, or guaranteed by the State of Israel; (7) federally insured interest-bearing bank deposits, brokered pools of such deposits, and collateralized certificates of deposit and share certificates; (8) fully collateralized United States government securities repurchase agreements; (9) one-year or shorter securities lending agreements secured by obligations described in clauses (1) through (7) above or (11) through (14) below or an irrevocable letter of credit issued by an “A” or better rated state or national bank; (10) 270-day or shorter bankers’ acceptances, if the short-term obligations of the accepting bank or its holding company are rated at least “A-1” or “P-1”; (11) commercial paper rated at least “A-1” or “P-1”; (12) SEC-registered no-load money market mutual funds that are subject to SEC Rule 2a-7; (13) SEC-registered no-load mutual funds that have an average weighted maturity of less than two years; (14) “AAA” or “AAAm”-rated investment pools that invest solely in investments described above; and (15) in the case of bond proceeds, guaranteed investment contracts that are secured by obligations described in clauses (1) through (7) above and, except for debt service funds and reserves, have a term of 5 years or less.

The City may not, however, invest in (1) interest only obligations, or non-interest bearing principal obligations, stripped from mortgage-backed securities; (2) collateralized mortgage obligations that have a remaining term that exceeds 10 years; and (3) collateralized mortgage obligations that bear interest at an index rate that adjusts opposite to the changes in a market index. In addition, the City may not invest more than 15% of its monthly average fund balance (excluding bond proceeds and debt service funds and reserves) in mutual funds described in clause (13) above or make an investment in any mutual fund that exceeds 10% of the fund’s total assets.

Except as stated above or inconsistent with its investment policy, the City may invest in obligations of any duration without regard to their credit rating, if any. If an obligation ceases to qualify as an eligible investment after it has been purchased, the City is not required to liquidate the investment unless it no longer carries a required rating, in which case the City is required to take prudent measures to liquidate the investment that are consistent with its investment policy.

#### **Investment Policies**

Under State law, the City is required to adopt and annually review written investment policies and must invest its funds in accordance with its policies. The policies must identify eligible investments and address investment diversification, yield, maturity, and the quality and capability of investment management. For investments whose eligibility is rating dependent, the policies must adopt procedures to monitor ratings and liquidate investments if and when required. The policies must require that all investment transactions settle on a delivery versus payment basis. The City is required to adopt a written investment strategy for each fund group to achieve investment objectives in the following order of priority: (1) suitability, (2) preservation and safety of principal, (3) liquidity, (4) marketability, (5) diversification, and (6) yield.

State law requires the City’s investments be made “with judgment and care, under prevailing circumstances, that a person of prudence, discretion, and intelligence would exercise in the management of the person’s own affairs, not for speculation, but for investment considering



the probable safety of capital and the probable income to be derived.” The City is required to perform an annual audit of the management controls on investments and compliance with its investment policies and provide regular training for its investment officers.

**Current Investments** <sup>(1)</sup>

**TABLE 1**

As of January 31, 2021, the City held investments as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Percentage</u>
Local Checking	\$5,170,959	70%
Texpool Accounts	525,840	7%
Certificates of Deposit	<u>1,676,807</u>	<u>23%</u>
Total	<u>\$7,373,606</u>	<u>100%</u>

As of such date, the market value of such investments (as determined by the Issuer by reference to published quotations, dealer bids, and comparable information) was approximately 100% of their book value. No funds of the Issuer are invested in derivative securities, *i.e.*, securities whose rate of return is determined by reference to some other instrument, index, or commodity.

<sup>(1)</sup> Unaudited.

**AD VALOREM PROPERTY TAXATION**

*The following is a summary of certain provisions of State law as it relates to ad valorem taxation and is not intended to be complete. 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 Moore County Appraisal District (“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 “AD VALOREM PROPERTY TAXATION – City and Taxpayer Remedies”).

**State Mandated Homestead Exemptions**

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

**Local Option Homestead Exemptions**

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

## **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.

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 District and provides for taxpayer referenda that could result in the repeal of certain tax increases. The Property Tax Code also establishes a procedure for providing notice to property owners of reappraisals reflecting increased property value, appraisals which are higher than renditions, and appraisals of property not previously on an appraisal roll.

### **Levy and Collection of Taxes**

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

### **City's Rights in the Event of Tax Delinquencies**

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

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

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

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

### **Public Hearing and Maintenance and Operations Tax Rate Limitations**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**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-supported 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 of 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 debt service on ad valorem tax-supported debt, as calculated at the time of issuance.

## **2021 Legislation**

On January 12, 2021, the 87th Texas Legislature convened in general session which is scheduled to adjourn on May 31, 2021. Thereafter, the Texas Governor may call one or more additional special sessions. During this time, the Texas Legislature may enact laws that materially change current law as it relates to the City and its finances. The City makes no representation regarding any actions the Texas Legislature may take but intends to monitor proposed legislation for any developments applicable to the City.

### **The Property Tax Code as Applied to the City**

The City grants an exemption to the market value of the residence homestead of persons 65 years of age or older of \$60,000.

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

The City has not elected to grant a \$20,000 homestead exemption.

The City has adopted the tax freeze for citizens who are disabled or are 65 years of age or older.

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 Moore County Appraisal District does not collect taxes for the City.

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

The City does not tax freeport property.

The City does not tax goods-in-transit.

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

The City has not adopted a tax abatement policy.

The City does not participate in any tax increment financing zones.

## **TAX MATTERS**

### **Tax Exemption**

The delivery of the Certificates is subject to the opinion of Norton Rose Fulbright US LLP, Bond Counsel, to the effect that interest on the Certificates for federal income tax purposes (1) is excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the "Code"), of the owners thereof pursuant to section 103 of the Code and existing regulations, published rulings, and court decisions, and (2) will not be included in computing the alternative minimum taxable income of the owners thereof. The statute, regulations, rulings, and court decisions on which such opinion is based are subject to change. A form of Bond Counsel's opinion is reproduced as APPENDIX C.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the Issuer made in a certificate of even date with the initial delivery of the Certificates pertaining to the use, expenditure, and investment of the proceeds of the Certificates and will assume continuing compliance with the provisions of the Ordinance by the Issuer subsequent to the issuance of the Certificates. The Ordinance contains covenants by the Issuer with respect to, among other matters, the use of the proceeds of the Certificates and the facilities financed or refinanced therewith by persons other than state or local governmental units, the manner in which the proceeds of the Certificates are to be invested, if required, the calculation and payment to the United States Treasury of any arbitrage "profits" and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants may cause interest on the Certificates to be includable in the gross income of the owners thereof from the date of the issuance of the Certificates.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, state or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Bond Counsel's opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the Issuer described above. No ruling has been sought from the Internal Revenue Service (the "IRS") with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel's opinion is not binding on the IRS. The IRS has an ongoing program of auditing the tax-exempt status of the interest on municipal obligations. If an audit of the Certificates is commenced, under current procedures the IRS is likely to treat the Issuer as the "taxpayer," and the owners of the Certificates would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Certificates, the Issuer may have different or conflicting interests from the owners of the Certificates. Public awareness of any future audit of the Certificates could adversely affect the value and liquidity of the Certificates during the pendency of the audit, regardless of its ultimate outcome.

### **Tax Changes**

Existing law may change to reduce or eliminate the benefit to Certificate holders of the exclusion of interest on the Certificates from gross income for federal income tax purposes. Any proposed legislation or administrative action, whether or not taken, could also affect the value

and marketability of the Certificates. Prospective purchasers of the Certificates should consult with their own tax advisors with respect to any proposed or future changes in tax law.

### **Ancillary Tax Consequences**

Prospective purchasers of the Certificates should be aware that the ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), property and casualty insurance companies, life insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization investment trust (“FASIT”), individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

### **Tax Accounting Treatment of Discount Certificates**

The initial public offering price to be paid for certain Certificates may be less than the amount payable on such Certificates at maturity (the “Discount Certificates”). An amount equal to the difference between the initial public offering price of a Discount Certificate (assuming that a substantial amount of the Discount Certificates of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Certificates. A portion of such original issue discount, allocable to the holding period of a Discount Certificate by the initial purchaser, will be treated as interest for federal income tax purposes, excludable from gross income on the same terms and conditions as those for other interest on the Certificates. Such interest is considered to be accrued actuarially in accordance with the constant interest method over the life of a Discount Certificate, taking into account the semiannual compounding of accrued interest, at the yield to maturity on such Discount Certificate and generally will be allocated to an initial purchaser in a different amount from the amount of the payment denominated as interest actually received by the initial purchaser during his taxable year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions (see “TAX MATTERS – Qualified Tax-Exempt Obligations” herein), life insurance companies, property and casualty insurance companies, S corporations with “subchapter C” earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a FASIT, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Certificate by the initial owner prior to maturity, the amount realized by such owner in excess of the basis of such 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 Discount Certificate was held) is includable in gross income.

Owners of Discount Certificates should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Certificates and with respect to the state and local tax consequences of owning Discount Certificates. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on the Discount Certificates may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

### **Tax Accounting Treatment of Premium Certificates**

The initial public offering price to be paid for certain Certificates may be greater than the stated redemption price on such Certificates at maturity (the “Premium Certificates”). An amount equal to the difference between the initial public offering price of a Premium Certificate (assuming that a substantial amount of the Premium Certificates of that maturity are sold to the public at such price) and its stated redemption price at maturity constitutes premium to the initial purchaser of such Premium Certificates. The basis for federal income tax purposes of a Premium Certificate in the hands of such initial purchaser must be reduced each year by the amortizable Certificate premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable Certificate premium with respect to the Premium Certificates. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Certificate. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity.

Purchasers of the Premium Certificates should consult with their own tax advisors with respect to the determination of amortizable Certificate premium on Premium Certificates for federal income tax purposes and with respect to the state and local tax consequences of owning and disposing of Premium Certificates.

### **Qualified Tax-Exempt Obligations**

Section 265 of the Code provides, in general, that interest expense to acquire or carry tax-exempt obligations is not deductible from the gross income of the owner of such obligations. In addition, section 265 of the Code generally disallows 100% of any deduction for interest expense which is incurred by “financial institutions” described in such section and is allocable, as computed in such section, to tax-exempt interest on obligations acquired after August 7, 1986. Section 265(b) of the Code provides an exception to this interest disallowance rule for interest expense allocable to tax-exempt obligations (other than private activity Certificates that are not qualified 501(c)(3) bonds) which are designated by an issuer as “qualified tax-exempt obligations.” An issuer may designate obligations as “qualified tax-exempt obligations” only if the amount of the issue of which they are a part, when added to the amount of all other tax-exempt obligations (other than private activity bonds that are not qualified 501(c)(3) obligations and other than certain refunding bonds) issued or reasonably anticipated to be issued by the issuer during the same calendar year, does not exceed \$10,000,000.

The City has designated the Certificates as “qualified tax-exempt obligations” and has certified its expectation that the above-described \$10,000,000 ceiling will not be exceeded. Accordingly, it is anticipated that financial institutions which purchase the Certificates will not be subject to the 100% disallowance of interest expense allocable to interest on the Certificates under section 265(b) of the Code. However, the deduction for interest expense incurred by a financial institution which is allocable to the interest on the Certificates will be reduced by 20% pursuant to section 291 of the Code.

## **CONTINUING DISCLOSURE OF INFORMATION**

The City in the Ordinance has made the following agreement for the benefit of the holders 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 available to the public free of charge from the MSRB via the Electronic Municipal Market Access (“EMMA”) system at [www.emma.msrb.org](http://www.emma.msrb.org), as further described below under “Availability of Information”.

### **Annual Reports**

Under Texas law, including, but not limited to, Chapter 103, as amended, Texas Local Government Code, the Issuer must keep its fiscal records in accordance with generally accepted accounting principles, must have its financial accounts and records audited by a certified public accountant and must file each audit report within 180 days after the close of the Issuer's fiscal year. The Issuer's fiscal records and audit reports are available for public inspection during the regular business hours, and the Issuer is required to provide a copy of the Issuer's audit reports to any bondholder or other member of the public within a reasonable time on request upon payment of charges prescribed by the Texas General Services Commission.

The City shall provide annually to the MSRB (1) within six months after the end of each fiscal year of the City beginning in the year 2021, financial information and operating data with respect to the City of the general type included in the body of this Official Statement under “INVESTMENT POLICIES - Current Investments – Table 1” and in Tables 1, 2, 3, 9, 10, 11, 12, 13, 17 and 18 of “Appendix A - Financial Information of the Issuer” to this Official Statement (the “Annual Financial Information”), and (2) within six months after the end of each fiscal year of the City beginning in the year 2021, the audited financial statements of the City (the “Audited Financial Statements”). If the audit of such financial statements is not complete within six (6) months after any such fiscal year end, then the City shall file unaudited financial statements by the required time and audited financial statements for the applicable fiscal year, when and if the audit report becomes available. Any financial statements to be provided shall be prepared in accordance with the accounting principles described in APPENDIX D to this Official Statement, or such other accounting principles as the City may be required to employ from time to time pursuant to state law or regulation, and shall be in substantially the form included in this Official Statement as APPENDIX D.

The Issuer may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12 (the “Rule”). The updated information will include audited financial statements for the Issuer, if the Issuer commissions an audit and it is completed by the required time. If audited financial statements are not available by that time, the Issuer will provide by the required time unaudited financial statements for the applicable fiscal year to the MSRB with the financial information and operating data and will file the annual audit report when and if the same becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in the Issuer's annual financial statements or such other accounting principles as the Issuer may be required to employ from time to time pursuant to state law or regulation.

The Issuer's current fiscal year end is September 30. Accordingly, it must provide updated information by the end of March in each year following end of its fiscal year, unless the Issuer changes its fiscal year. If the Issuer changes its fiscal year, it will notify the MSRB through EMMA of the change.

### **Notice of Certain Events**

The City will also provide timely notices of certain events to the MSRB. The City will provide notice of any of the following events with respect to the Certificates to the MSRB in a timely manner (but not in excess of ten business days after the occurrence of the event): (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB), or other material notices or determinations with respect to the tax status of the Certificates, or other material events affecting the tax status of the Certificates, as the case may be; (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, which shall occur as described below; (13) the consummation of a merger, consolidation, or acquisition involving the City or the sale of all or substantially all of its assets, other than in the ordinary course of business, the entry into of a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; (14) appointment of a successor or additional paying agent/registrars or the change of name of a paying agent/registrars, if material (15) incurrence of a Financial Obligation of the City, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of any such Financial Obligation of the City, any of which affect security holders, if material; and (16) default, event of acceleration, termination event, modification of terms, or other similar events under the terms of any such Financial Obligation of the City, any of which reflect financial difficulties. In the Ordinance, the City adopted policies and procedures to ensure timely compliance of its continuing disclosure undertakings. In addition, the City will provide timely notice of any failure by the City to provide annual financial information in accordance with their agreement described above under “Annual Reports.” Neither the Certificates nor the Ordinance make provision for liquidity enhancement, or debt service reserves.

For these purposes, (a) any event described in clause (12) in the immediately preceding paragraph is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent, or similar officer for the City in a proceeding under the United States Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the City, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement, or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the City, and (b) the City intends the words used in the immediately preceding clauses (15) and (16) and in the definition of Financial Obligation above to have the meanings ascribed to them in SEC Release No. 34-83885 dated August 20, 2018.

### **Availability of Information**

All information and documentation filing required to be made by the City in accordance with its undertaking made for the Certificates will be made with the MSRB in electronic format in accordance with MSRB guidelines. Access to such filings will be provided, without charge to the general public, by the MSRB.

### **Limitations and Amendments**

The City has agreed to update information and to provide notices of certain specified events only as described above. The City has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The City makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Certificates at any future date. The City disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its agreement or from any statement made pursuant to its agreement, although holders or Beneficial Owners 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 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 the agreement, as amended, would have permitted an underwriter to purchase or sell Certificates in the offering described herein in compliance with the Rule and either the holders of a majority in aggregate principal amount of the outstanding Certificates consent or any person unaffiliated with the City (such as nationally recognized bond counsel) determines that the amendment will not materially impair the interests of the holders or beneficial owners of the Certificates. If the City amends its agreement, it must 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 information and data provided. The City may also amend or repeal the provisions of this continuing disclosure agreement 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 any Purchasers from lawfully purchasing or selling Certificates, respectively, in the primary offering of the Certificates.

### **Compliance with Prior Agreements**

During the past five years, the City has complied in all material respects in accordance with SEC Rule 15c2-12.

## **LEGAL MATTERS**

### **Legal Opinions and No-Litigation Certificate**

The Issuer will furnish the Purchaser with a complete transcript of proceedings incident to the authorization and issuance of the Certificates, including the unqualified approving legal opinion of the Attorney General of the State of Texas to the effect that the Initial Certificate is a valid and legally binding obligation of the Issuer, and based upon examination of such transcript of proceedings, the approval of certain legal matters by Bond Counsel, to the effect that the Certificates, issued in compliance with the provisions of the Ordinance, are valid and legally binding obligations of the Issuer and, subject to the qualifications set forth herein under "TAX MATTERS", the interest on the Certificates is exempt from federal income taxation under existing statutes, published rulings, regulations, and court decisions. Though it represents the Financial Advisor from time to time in matters unrelated to the issuance of the Certificates, Bond Counsel was engaged by, and only represents, the City in connection with the issuance of the Certificates. In its capacity as Bond Counsel, Norton Rose Fulbright US LLP, Austin and San Antonio, Texas has reviewed (except for numerical, statistical or technical data) the information under the captions "THE CERTIFICATES" (except under the subcaptions "Use of Certificate Proceeds", "Sources and Uses" "Payment Record", and "Default and Remedies", as to which no opinion is expressed), "REGISTRATION, TRANSFER AND EXCHANGE", "TAX MATTERS", "CONTINUING DISCLOSURE OF INFORMATION" (except under the subheading "Compliance with Prior Undertakings" as to which no opinion is expressed), "LEGAL MATTERS—Legal Investments and Eligibility to Secure Public Funds in Texas", and "OTHER PERTINENT INFORMATION—Registration and Qualification of Certificates for Sale" in the Official Statement and such firm is of the opinion that the information relating to the Certificates and the Ordinance contained under such captions is a fair and accurate summary of the information purported to be shown and that the information and descriptions contained under such captions relating to the provisions of applicable state and federal laws are correct as to matters of law. 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 or which would affect the provision made for their payment or security, or in any manner questioning the validity of the Certificates will also be furnished. The legal fees to be paid Bond Counsel for services rendered in connection with the issuance of Certificates are contingent on the sale and initial delivery of the Certificates. The legal opinion of Bond Counsel will accompany the Certificates deposited with DTC or will be printed on the definitive Certificates in the event of the discontinuance of the Book-Entry-Only System.



The various 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 the 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.

### **Litigation**

In the opinion of various officials of the Issuer, there is no litigation or other proceeding pending against or, to their knowledge, threatened against the Issuer in any court, agency, or administrative body (either state or federal) wherein an adverse decision would materially adversely affect the financial condition of the Issuer.

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

### **Legal Investments and Eligibility to Secure Public Funds in Texas**

Section 1201.041 of the Public Securities Procedures Act (Chapter 1201, Texas Government Code) and Section 271.051, as amended, Texas Local Government Code, each, provide that the Certificates are negotiable instruments governed by Chapter 8, as amended, Texas Business and Commerce Code, and are legal and authorized investments for insurance companies, fiduciaries, and trustees, and for the sinking funds of municipalities or other political subdivisions or public agencies of the State of Texas. For political subdivisions in Texas which have adopted investment policies and guidelines in accordance with the Public Funds Investment Act, Chapter 2256, as amended, Texas Government Code, the Certificates must have to be assigned a rating of at least "A" or its equivalent as to investment quality by a national rating agency before such obligations are eligible investments for sinking funds and other public funds. (See "OTHER PERTINENT 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 least \$1 million of capital, and savings and loan associations.

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

### **FORWARD LOOKING STATEMENTS**

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

The forward-looking statements herein are necessarily based on various assumptions and estimates and are inherently subject to various risks and uncertainties, including risks and uncertainties relating to the possible invalidity of the underlying assumptions and estimates and possible changes or developments in social, economic, business, industry, market, legal, and regulatory circumstances and conditions and actions taken or omitted to be taken by third parties, including customers, suppliers, business partners and competitors, and legislative, judicial and other governmental authorities and officials. Assumptions related to the foregoing involve judgments with respect to, among other things, future economic, competitive, and market conditions and future business decisions, all of which are difficult or impossible to predict accurately and 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.

### **OTHER PERTINENT INFORMATION**

#### **Registration and Qualification of Certificates for Sale**

The sale of the Certificates has not been registered under the Securities Act of 1933, as amended, in reliance upon exemptions provided in such Act; the Certificates have not been qualified under the Securities Act of Texas in reliance upon exemptions contained therein; nor have the Certificates been qualified under the securities acts of any other jurisdiction. The Issuer assumes no responsibility for qualification of the Certificates under the securities laws of any jurisdiction in which they 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 or qualification provisions.

It is the obligation of the Purchaser to register or qualify the sale of the Certificates under the securities laws of any jurisdiction which so requires. The City agrees to cooperate, at the Purchaser's written request and sole expense, in registering or qualifying the Certificates or in obtaining an exemption from registration or qualification in any state where such action is necessary; provided, however, that the City shall not be required to qualify as a foreign corporation or to execute a general consent to service of process in any jurisdiction.

#### **Ratings**

S&P Global Ratings ("S&P") S&P has assigned a rating of "AA" to the Certificates with the understanding that concurrently with the delivery of the Certificates a municipal bond insurance policy will be issued by BAM. See "BOND INSURANCE" herein. The City received from S&P an underlying, unenhanced rating of "A-" to the Certificates.

An explanation of the significance of such rating may be obtained from S&P. The rating of the Certificates by S&P reflects only the view of such company at the time the rating is given, and the City makes no representation as to the appropriateness of the rating. There is no assurance that the rating will continue for any given period of time, or that the rating will not be revised downward or withdrawn entirely by S&P, if, in the judgment of S&P, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Certificates.

### **Authenticity of Financial Information**

The financial data and other information contained herein have been obtained from the Issuer's records, audited financial statements and other sources which are believed to be reliable. All of the summaries of the statutes, documents and Ordinances contained in this Official Statement are made subject to all of the provisions of such statutes, documents and Ordinances. These summaries do not purport to be complete statements of such provisions and reference is made to such documents for further information. All information contained in this Official Statement is subject, in all respects, to the complete body of information contained in the original sources thereof and no guaranty, warranty or other representation is made concerning the accuracy or completeness of the information herein. In particular, no opinion or representation is rendered as to whether any projection will approximate actual results, and all opinions, estimates and assumptions, whether or not expressly identified as such, should not be considered statements of fact.

### **Financial Advisor**

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

The Financial Advisor 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 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.

### **Winning Bidder**

After requesting competitive bids for the Certificates, the City accepted the bid of BOK Financial Securities, Inc. (previously defined as the "Purchaser" or the "Initial Purchaser") to purchase the Certificates at the interest rates shown on the page 2 of this Official Statement at a price of par, plus a reoffering premium of \$380,066.10, less a Purchaser's discount of \$132,749.30, plus accrued interest on the Certificates from their Dated Date to their date of initial delivery. The City can give no assurance that any trading market will be developed for the City after their sale by the City to the Purchaser. The City has no control over the price at which the Certificates are subsequently sold and the initial yield at which the Certificates will be priced and reoffered will be established by and will be the responsibility of the Purchaser.

### **Certification of the Official Statement**

At the time of payment for and delivery of the Initial Certificates, the Purchaser will be furnished a certificate, executed by proper officials of the City, acting in their official capacities, to the effect that to the best of their knowledge and belief: (a) the descriptions and statements of or pertaining to the City contained in its Official Statement, and any addenda, supplement or amendment thereto, for the Certificates, on the date of such Official Statement, on the date of sale of said Certificates and the acceptance of the best bid therefor, and on the date of the delivery thereof, were and are true and correct in all material respects; (b) insofar as the City and its affairs, including its financial affairs, are concerned, such Official Statement did not and does not contain an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; (c) insofar as the descriptions and statements including financial data, of or pertaining to entities, other than the City, and their activities contained in such Official Statement are concerned, such statements and data have been obtained from sources which the City believes to be reliable and the City has no reason to believe that they are untrue in any material respect, and (d) there has been no material adverse change in the financial condition of the City, since September 30, 2020, the date of the last financial statements of the City appearing in the Official Statement.

### **Information from External Sources**

References to web site addresses presented herein are for informational purposes only and may be in the form of a hyperlink solely for the reader's convenience. Unless specified otherwise, such web sites and the information or links contained therein are not incorporated into, and are not part of, this Official Statement for purposes of, and as that term is defined in, SEC Rule 15c2-12.

**Concluding Statement**

No person has been authorized to give any information or to make any representations other than those contained in this Official Statement, and if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy in any state in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so or to any person to whom it is unlawful to make such offer of solicitation.

The information set forth herein has been obtained from the City's records, audited financial statements and other sources which the City considers to be reliable. There is no guarantee that any of the assumptions or estimates contained herein will ever be realized. All of the summaries of the statutes, documents and the Ordinance contained in this Official Statement are made subject to all of the provisions of such statutes, documents, and the Ordinance. These summaries do not purport to be complete statements of such provisions and reference is made to such summarized documents for further information. Reference is made to official documents in all respects.

The Ordinance authorized the issuance of the Certificates and approved the form and content of this Official Statement and any addenda, supplement or amendment thereto and authorized its further use in the re-offering of the Certificates by the Purchaser.

This Official Statement was approved by the Commission for distribution in accordance with the provisions of the SEC's rule codified at 17 C.F.R. Section 240.15c2-12, as amended.

**CITY OF DUMAS, TEXAS**

/s/ Bob Brinkmann  
Mayor  
City of Dumas, Texas

ATTEST:

/s/ Tonya Montoya  
City Secretary  
City of Dumas, Texas

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**APPENDIX A**  
**FINANCIAL INFORMATION RELATING TO**  
**THE CITY OF DUMAS, TEXAS**

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**ASSESSED VALUATION****TABLE 1**

2020 Actual Market Value of Taxable Property (100% of Actual) <sup>(a)</sup>		\$ 779,142,096
Less Exemptions:		
Over-65 Homestead Exemptions	\$ 53,266,980	
Disabled and Deceased Veterans' Exemptions	2,318,660	
Agricultural Productivity Loss	154,359	
10% Homestead Cap Loss	1,133,942	
Other	-	
Totally Exempt Property	<u>45,182,464</u>	<u>102,056,405</u>
2020 Net Taxable Assessed Valuation		<u>\$ 677,085,691</u>

Source: Moore County Appraisal District

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" in the Official Statement for a description of the Issuer's taxation procedures.

**GENERAL OBLIGATION BONDED DEBT****TABLE 2****General Obligation Debt Principal Outstanding (As of February 28, 2021):**

Tax & Solid Waste System Surplus Revenue Certificates of Obligation, Series 2011	\$ 2,810,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2012	5,645,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2013	3,760,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2014	3,405,000
General Obligation Refunding Bonds, Series 2015	2,045,000
Tax Notes, Series 2018	1,130,000
Tax Notes, Series 2020	1,435,000
Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021 (The "Obligations")	<u>9,610,000</u>
<b>Total Gross General Obligation Debt Principal Outstanding:</b>	<u>\$ 29,840,000</u>
<b>Less: Self-Supporting General Obligation Debt Principal</b>	
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2013 (100% Water/Sewer)	\$ 3,100,000
Tax & Waterworks & Sewer System Surplus Revenue Certificates of Obligation, Series 2014 (52.47% Solid Waste/47.53% Water/Sewer)	3,405,000
Tax Notes, Series 2018 (100% Water/Sewer)	<u>1,130,000</u>
<b>Total Self-Supporting Debt Principal Outstanding</b>	<u>\$ 7,635,000</u>
<b>Total Net General Obligation Debt Principal Outstanding Following the Issuance of the Certificates</b>	<u>\$ 22,205,000</u>
General Obligation Interest and Sinking Fund Balance as of September 30, 2020	\$ 477,381
Ratio of Gross General Obligation Debt Principal to 2020 Net Taxable Assessed Valuation	4.41%
Ratio of Net General Obligation Debt Principal to 2020 Net Taxable Assessed Valuation	3.28%
2020 Net Taxable Assessed Valuation	\$ 677,085,691

Population: 1980 - 12,194; 1990 - 12,871; 2000 - 13,747; 2010 - 14,691; Current (Estimate) -	15,500
Per Capita 2020 Net Taxable Assessed Valuation -	\$43,683
Per Capita Gross General Obligation Debt Principal -	\$1,925
Per Capita Net General Obligation Debt Principal -	\$1,433

Note: Although the City intends to pay such self-supporting debt referenced above from water and sewer revenues and solid waste revenues, respectively, in the event such revenues are not sufficient or the City determines not to appropriate or otherwise provide for payment of such obligations from those revenues or other sources, the City will be required to levy an ad valorem tax to pay such debt.

**Capital Leases**

The City has leased certain equipment under non-cancellable capital leases for various pieces of equipment. The interest rates range between 1.29% and 6.70%. The following summarizes the City's obligations under capital leases:

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**Capital Lease / Notes Payable Information for Governmental Activities**


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Year Ending <u>30-Sep-20</u>	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
2021	\$ 110,311	\$ 31,632
2022	58,805	31,632
2023	<u>58,805</u>	<u>81,724</u>
Total	\$ 227,921	\$ 144,988
Less amounts representing interest	<u>14,417</u>	<u>13,704</u>
	\$ 213,504	\$ 131,284

The following summarizes the assets acquired under capital lease:

Equipment	\$ 640,346	\$ 700,943
Accumulated Depreciation	(463,069)	(546,916)
Net Leased Equipment	\$ 177,277	\$ 154,027

Source: *The City's Audited Financial Report for Fiscal Year Ended September 30, 2020.*



**GENERAL OBLIGATION DEBT SERVICE REQUIREMENTS**

**TABLE 4**

Fiscal Year 30-Sep	Current Total Debt Service	The Certificates		Total	Combined Debt Service	Less:		Net General Obligation Debt Service
		Principal	Interest			Water & Sewer Self-Supporting Debt Service	Solid Waste Self Self-Supporting Debt Service	
2021	\$ 2,170,053	\$ -	\$ -	\$ -	\$ 2,170,053	\$ 704,004	\$ 172,500	\$ 1,293,549
2022	2,223,218	265,000	259,640	524,640	2,747,857	711,370	170,400	1,866,087
2023	2,230,257	390,000	177,975	567,975	2,798,232	701,769	172,775	1,923,688
2024	2,312,763	370,000	170,175	540,175	2,852,938	706,551	169,475	1,976,912
2025	2,319,806	435,000	162,775	597,775	2,917,581	713,642	171,175	2,032,764
2026	2,063,838	445,000	156,250	601,250	2,665,088	459,375	172,150	2,033,563
2027	2,066,461	450,000	149,575	599,575	2,666,036	461,700	172,950	2,031,386
2028	1,781,831	455,000	142,825	597,825	2,379,656	462,900	172,950	1,743,806
2029	1,778,831	465,000	136,000	601,000	2,379,831	463,500	167,750	1,748,581
2030	1,783,731	475,000	126,700	601,700	2,385,431	458,500	172,550	1,754,381
2031	1,786,381	480,000	117,200	597,200	2,383,581	458,100	171,950	1,753,531
2032	1,481,150	490,000	107,600	597,600	2,078,750	462,100	171,150	1,445,500
2033	899,425	500,000	97,800	597,800	1,497,225	459,625	169,400	868,200
2034	323,950	510,000	87,800	597,800	921,750	151,525	172,425	597,800
2035	-	520,000	77,600	597,600	597,600	-	-	597,600
2036	-	530,000	67,200	597,200	597,200	-	-	597,200
2037	-	545,000	56,600	601,600	601,600	-	-	601,600
2038	-	555,000	45,700	600,700	600,700	-	-	600,700
2039	-	565,000	34,600	599,600	599,600	-	-	599,600
2040	-	575,000	23,300	598,300	598,300	-	-	598,300
2041	-	590,000	11,800	601,800	601,800	-	-	601,800
	<u>\$ 25,221,696</u>	<u>\$ 9,610,000</u>	<u>\$ 2,209,115</u>	<u>\$ 11,819,115</u>	<u>\$ 37,040,810</u>	<u>\$ 7,374,661</u>	<u>\$ 2,399,600</u>	<u>\$ 27,266,549</u>

**TAX ADEQUACY**

**TABLE 5**

2020 Net Taxable Assessed Valuation	\$ 677,085,691
Maximum Annual Debt Service Requirements (Including Self-Supporting Debt) (Fiscal Year Ending 9-30-25)	\$ 2,917,581
Indicated Maximum Interest and Sinking Fund Tax Rate at 97% Collections	0.444229698
2020 Net Taxable Assessed Valuation	\$ 677,085,691
Maximum Annual Debt Service Requirements (Excluding Self-Supporting Debt) (Fiscal Year Ending 9-30-26)	\$ 2,033,563
Indicated Maximum Interest and Sinking Fund Tax Rate at 97% Collections	0.309629412

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

Fiscal Year Ending 9/30	Principal Repayment Schedule			Unpaid at End of Year	Principal Retired (%)
	Principal Outstanding	The Certificates	Total		
2021	\$ 1,485,000	\$ -	\$ 1,485,000	\$ 28,355,000	4.98%
2022	1,575,000	265,000	1,840,000	26,515,000	11.14%
2023	1,625,000	390,000	2,015,000	24,500,000	17.90%
2024	1,755,000	370,000	2,125,000	22,375,000	25.02%
2025	1,815,000	435,000	2,250,000	20,125,000	32.56%
2026	1,615,000	445,000	2,060,000	18,065,000	39.46%
2027	1,675,000	450,000	2,125,000	15,940,000	46.58%
2028	1,450,000	455,000	1,905,000	14,035,000	52.97%
2029	1,505,000	465,000	1,970,000	12,065,000	59.57%
2030	1,565,000	475,000	2,040,000	10,025,000	66.40%
2031	1,625,000	480,000	2,105,000	7,920,000	73.46%
2032	1,380,000	490,000	1,870,000	6,050,000	79.73%
2033	850,000	500,000	1,350,000	4,700,000	84.25%
2034	310,000	510,000	820,000	3,880,000	87.00%
2035	-	520,000	520,000	3,360,000	88.74%
2036	-	530,000	530,000	2,830,000	90.52%
2037	-	545,000	545,000	2,285,000	92.34%
2038	-	555,000	555,000	1,730,000	94.20%
2039	-	565,000	565,000	1,165,000	96.10%
2040	-	575,000	575,000	590,000	98.02%
2041	-	590,000	590,000	-	100.00%
	<u>\$ 20,230,000</u>	<u>\$ 9,610,000</u>	<u>\$ 29,840,000</u>		

**INTEREST AND SINKING FUND MANAGEMENT INDEX**

**TABLE 7**

Interest and Sinking Fund Balance, Fiscal Year Ended September 30, 2020	\$ 477,381
2020 Interest and Sinking (I&S) Fund Tax Levy 0.215868 at 97% Collections Produces <sup>(a)</sup>	<u>1,417,763</u>
Total Available for Debt Service	\$ 1,895,144
Less: General Obligation Debt Service Requirements, Fiscal Year Ending 9-30-21 <sup>(b)</sup>	<u>1,293,549</u>
Estimated Surplus at Fiscal Year Ending 9-30-21	\$ 601,595

<sup>(a)</sup> Does not include delinquent tax collections, penalties and interest on delinquent tax collection or investment earnings.

<sup>(b)</sup> Excludes self-supporting general obligation debt being paid from net revenues of the Waterworks and Sewer System and the Solid Waste Disposal System.

**TAXABLE ASSESSED VALUATION FOR TAX YEARS 2011-2020**

**TABLE 8**

<u>Year</u>	<u>Net Taxable</u>	<u>Change From Preceding Year</u>	
	<u>Assessed Valuation</u>	<u>Amount</u>	<u>Percent</u>
2011-12	\$ 501,590,414	8,637,543	2.57%
2012-13	526,927,988	25,337,574	5.05%
2013-14	544,731,953	17,803,965	3.38%
2014-15	549,391,744	4,659,791	0.86%
2015-16	562,861,391	13,469,647	2.45%
2016-17	566,986,698	4,125,307	0.73%
2017-18	607,053,825	40,067,127	7.07%
2018-19	644,383,355	37,329,530	6.15%
2019-20	666,547,859	22,164,504	3.44%
2020-21	677,085,691	10,537,832	1.58%

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Moore County Appraisal District and the Texas Comptroller of Public Accounts

**PRINCIPAL TAXPAYERS - 2020**

**TABLE 9**

<u>Name</u>	<u>Type of Property</u>	<u>2020 Net Taxable Assessed Valuation</u>	<u>% of Total 2020 Assessed Valuation</u>
Wal-Mart Real Estate Business	Land Development	\$ 8,468,310	1.25%
Wal-Mart Stores Inc. #812	Discount Retail Sales Store	6,688,360	0.99%
Southwestern Public Service Co.	Electric Utility	6,155,370	0.91%
MBSB Guylane LLC	Retail	5,427,310	0.80%
Love's Travel Stops & Country Stores, INC	Fuel	5,201,230	0.77%
Dumas Development LP	Hotel/Motel	4,399,610	0.65%
Equipment Supply Co. Inc	Irrigation Supplies Distribution	3,858,410	0.57%
Jalaram Guru LLC	Hotel/Motel	3,333,810	0.49%
Jasmine Apartments Inc	Apartments	2,871,020	0.42%
Dumas Management	Property Management	2,833,290	0.42%
	<b>Total</b>	<u><u>\$ 49,236,720</u></u>	<u><u>7.27%</u></u>

Based on a 2020 Net Taxable Assessed Valuation of \$ 677,085,691

Source: Moore County Appraisal District

TABLE 10

CLASSIFICATION OF ASSESSED VALUATION (a)

Category	2020	% of Total	2019	% of Total	2018	% of Total	2017	% of Total	2016	% of Total
Real, Residential, Single-Family	\$ 495,594,283	63.61%	\$ 493,547,511	63.87%	\$ 479,046,180	63.91%	\$ 441,317,460	62.66%	\$ 405,059,631	61.53%
Real, Residential, Multi-Family	24,788,040	3.18%	25,297,140	3.27%	25,029,300	3.34%	21,832,770	3.10%	21,418,970	3.25%
Real, Vacant Lots/Tracts	3,828,286	0.49%	3,797,742	0.49%	3,921,070	0.52%	5,591,590	0.79%	4,212,420	0.64%
Real, Acreage (Land Only)	167,300	0.02%	167,300	0.02%	167,300	0.02%	167,300	0.02%	553,131	0.08%
Farm and Ranch Improvements	962,088	0.12%	1,032,990	0.13%	1,032,990	0.14%	1,032,870	0.15%	882,640	0.13%
Real, Commercial	121,437,200	15.59%	119,051,945	15.41%	114,769,101	15.31%	108,401,120	15.39%	102,122,160	15.51%
Real Industrial	1,785,930	0.23%	1,788,840	0.23%	1,780,850	0.24%	1,795,320	0.25%	1,751,860	0.27%
Real, Minerals (Oil and Gas)	250,120	0.03%	283,830	0.04%	340,830	0.05%	268,580	0.04%	259,280	0.04%
Real & Tangible, Personal Utilities	12,358,550	1.59%	11,182,610	1.45%	9,661,460	1.29%	9,777,180	1.39%	8,883,870	1.35%
Tangible Personal, Commercial	62,647,940	8.04%	62,284,930	8.06%	59,439,890	7.93%	61,250,790	8.70%	61,712,650	9.37%
Tangible Personal, Industrial	3,817,530	0.49%	2,552,170	0.33%	2,460,650	0.33%	2,537,760	0.36%	1,975,640	0.30%
Tangible Personal/Mobile Homes	4,530,495	0.58%	4,599,465	0.60%	4,667,565	0.62%	4,028,350	0.57%	3,964,890	0.60%
Special Inventory	1,791,870	0.23%	2,033,300	0.26%	2,266,480	0.30%	2,139,320	0.30%	2,134,450	0.32%
Totally Exempt Property	\$ 45,182,464	5.80%	\$ 45,071,283	5.83%	\$ 44,969,090	6.00%	\$ 44,155,520	6.27%	\$ 43,347,140	6.58%
<b>Total Appraised Value</b>	<b>\$ 779,142,096</b>	<b>100.00%</b>	<b>\$ 772,691,056</b>	<b>100.00%</b>	<b>\$ 749,552,756</b>	<b>100.00%</b>	<b>\$ 704,295,930</b>	<b>100.00%</b>	<b>\$ 658,278,732</b>	<b>100.00%</b>
<b>Less Exemptions:</b>										
Local Option Over-65	\$ 53,266,980		\$ 54,133,834		\$ 49,699,130		\$ 46,543,460		\$ 45,803,297	
Disabled and Deceased Veterans'	2,318,660		2,105,966		1,887,674		1,417,929		1,225,660	
Productivity Loss	154,359		153,759		153,439		152,519		524,779	
10% Homestead Cap Loss	1,133,942		4,567,174		8,354,858		4,743,957		162,438	
Other	-		-		105,210		44,155,520		43,347,140	
Totally Exempt Property	45,182,464		45,182,464		44,969,090		228,720		228,720	
Total Exemptions	\$ 102,056,405		\$ 106,143,197		\$ 105,169,401		\$ 97,242,105		\$ 91,292,034	
<b>Net Taxable Assessed Valuation</b>	<b>\$ 677,085,691</b>		<b>\$ 666,547,859</b>		<b>\$ 644,383,355</b>		<b>\$ 607,053,825</b>		<b>\$ 566,986,698</b>	

(a) See "AD VALOREM TAX PROCEDURES - Property Tax Code and Countywide Appraisal District" herein.  
Source: Moore County Appraisal District

**PROPERTY TAX RATES AND COLLECTIONS<sup>(a)</sup>**

**TABLE 11**

<u>Tax Year</u>	<u>Net Taxable Assessed Valuation</u>	<u>Tax Rate</u>	<u>Tax Levy</u>	<u>% Collections</u>		<u>Year Ended</u>
				<u>Current</u>	<u>Total</u>	
2010	\$ 492,952,871	0.160810	\$ 793,328	97.79%	99.15%	9/30/2011
2011	501,590,414	0.158300	794,055	97.40%	99.10%	9/30/2012
2012	526,927,988	0.152867	805,499	96.75%	98.78%	9/30/2013
2013	544,731,953	0.152867	832,715	98.35%	99.47%	9/30/2014
2014	549,391,744	0.170412	936,229	98.18%	99.14%	9/30/2015
2015	562,861,391	0.290891	1,637,313	98.59%	99.67%	9/30/2016
2016	566,986,698	0.290891	1,649,313	98.95%	102.08%	9/30/2017
2017	607,053,825	0.310891	1,887,276	98.52%	100.60%	9/30/2018
2018	644,383,355	0.330891	2,132,207	98.68%	100.51%	9/30/2019
2019	666,547,859	0.357362	2,381,989	98.09%	100.41%	9/30/2020
2020	677,085,691	0.357362	2,419,647	91.28%	100.33%	9/30/2021 *

<sup>(a)</sup> See "AD VALOREM TAX PROCEDURES" - The Property Tax Code as Applied to the City" herein.

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas, the Moore County Appraisal District and the Issuer.

\* Collections through February 17, 2021.

**TAX RATE DISTRIBUTION**

**TABLE 12**

<u>Fund</u>	<u>2020-2021</u>	<u>2019-2020</u>	<u>2018-2019</u>	<u>2017-2018</u>	<u>2016-2017</u>
Maintenance & Operations Fund	\$0.141494	\$0.150689	\$0.139527	\$0.139527	\$0.129339
Interest & Sinking Fund	\$0.215868	\$0.206673	\$0.191364	0.171364	0.161552
<b>TOTAL</b>	<b>\$0.357362</b>	<b>\$0.357362</b>	<b>\$0.330891</b>	<b>\$0.310891</b>	<b>\$0.290891</b>

Sources: Texas Municipal Report published by the Municipal Advisory Council of Texas and the Moore County Appraisal District

**MUNICIPAL SALES TAX<sup>(a)</sup>**

**TABLE 13**

<u>Calendar Year</u>	<u>Total 2% Collections</u>	<u>1% City Collections</u>	<u>½% Property Tax Reduction</u>	<u>½% Economic Development</u>	<u>% of Ad Valorem Tax Levy<sup>(b)</sup></u>	<u>\$ Equivalent of Ad Valorem Tax Rate<sup>(b)</sup></u>
2010	\$ 2,570,194	\$ 1,285,097	\$ 642,549	\$ 642,549	242.98%	0.39
2011	2,793,077	1,396,539	698,269	698,269	263.81%	0.42
2012	2,933,944	1,466,972	733,486	733,486	273.18%	0.42
2013	3,079,047	1,539,523	769,762	769,762	277.32%	0.42
2014	3,071,290	1,535,645	767,822	767,822	246.04%	0.42
2015	3,084,494	1,542,247	771,124	771,124	141.29%	0.41
2016	3,378,495	1,689,248	844,624	844,624	155.14%	0.45
2017	3,333,736	1,666,868	833,434	833,434	150.06%	0.41
2018	3,454,898	1,727,449	863,725	863,725	137.64%	0.46
2019	3,680,996	1,840,498	920,249	920,249	116.12%	0.41
2020	3,710,731	1,855,365	927,683	927,683	115.55%	0.41

<sup>(a)</sup> See "Appendix A - Municipal Sales Tax Collections".

<sup>(b)</sup> Based on 1 ½% collections (1% collections for City plus ½% collections for property tax reduction).

Source: Website of Texas Comptroller of Public Accounts (Sales Tax Link)

Note: The Comptroller's website figures list sales tax revenues in the month they are delivered to the City, which is two months after they are generated/collected.

**OVERLAPPING DEBT DATA AND INFORMATION**

**TABLE 14**

(As of January 31, 2021 )

<u>Taxing Body</u>	<u>Gross Debt Principal</u>	<u>% Overlapping</u>	<u>Amount Overlapping</u>
Dumas Independent School District	\$ 80,910,000	32.12%	\$ 25,988,292
Moore County	525,000	28.83%	151,358
Total Gross Overlapping Debt			\$ 26,139,650
Dumas, City of	\$ 29,840,000 <sup>(a)</sup>	100.00%	29,840,000 <sup>(a)</sup>
Total <b>Gross</b> Direct and Overlapping Debt			\$ 55,979,650 <sup>(a)</sup>
Ratio of Gross Direct and Overlapping Debt Principal to 2020 Net Taxable Assessed Valuation			8.27% <sup>(a)</sup>
Ratio of Gross Direct and Overlapping Debt Principal to 2020 Actual Assessed Value			7.18% <sup>(a)</sup>
Per Capita Gross Direct and Overlapping Debt Principal			\$3,612 <sup>(a)</sup>

**Note:** The above figures show **Gross** General Obligation Debt for the City of Dumas, Texas  
The Issuer's **Net** General Obligation Debt is

\$ 22,205,000 <sup>(a)</sup>

Total **Net** Direct and Overlapping Debt

\$ 48,344,650 <sup>(a)</sup>

Calculations on the basis of Net General Obligation Debt would change the above figures as follows:

Ratio of Net Direct and Overlapping Debt to 2020 Net Taxable Assessed Valuation	7.14% <sup>(a)</sup>
Ratio of Net Direct and Overlapping Debt to 2020 Actual Assessed Value	6.20% <sup>(a)</sup>
Per Capita Net Direct and Overlapping Debt	\$3,119 <sup>(a)</sup>

<sup>(a)</sup> Includes the Certificates.

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

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

**TABLE 15**

<u>Governmental Entity</u>	<u>2020 Net Taxable Assessed Valuation</u>	<u>% of Actual</u>	<u>2020 Tax Rate</u>
Dumas Independent School District	\$ 1,940,117,654	100%	\$ 1.38600
Moore County	2,195,432,409	100%	\$ 0.46800

Source: Texas Municipal Reports published by the Municipal Advisory Council of Texas

**AUTHORIZED BUT UNISSUED GENERAL OBLIGATION BONDS OF DIRECT AND OVERLAPPING GOVERNMENTAL ENTITIES**

**TABLE 16**

<u>Entity</u>	<u>Authorization</u>
Dumas, City of	None
All Overlapping Entities	None

**TABLE 17**

	<u>As of 9-30-20</u>
General Fund	\$ 1,483,428
Interest and Sinking Fund	477,381
Enterprise Fund	8,609,627
<b>Total Fund Balances</b>	<b>\$ 10,570,436</b>

Source: Information from the Issuer

**GENERAL FUND COMBINED STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCE**

**TABLE 18**

	Fiscal Year Ended September 30				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
<b>Revenues:</b>					
Taxes:					
Property Taxes	\$ 1,107,871	\$ 896,637	\$ 846,069	\$ 743,751	\$ 719,076
Sales	2,764,739	2,776,593	2,573,461	2,577,546	2,741,701
Franchise	535,003	567,820	718,512	269,361	261,375
Mixed Beverage	18,634	20,223	16,022	12,642	16,139
Licenses and Permits	94,113	128,074	144,052	154,152	152,286
Fines and Forfeitures	295,804	376,992	468,300	378,469	387,277
Intergovernmental	757,350	24,731	-	6,190	73,364
Investment Earnings	9,510	10,550	3,612	2,190	4,125
Miscellaneous	45,236	236,988	83,685	303,745	61,579
<b>Total Revenues</b>	<u>\$ 5,628,260</u>	<u>\$ 5,038,608</u>	<u>\$ 4,853,713</u>	<u>\$ 4,448,046</u>	<u>\$ 4,416,922</u>
<b>Expenditures</b>					
Current:					
General Government	\$ 500,856	\$ 336,969	\$ 245,814	\$ 380,617	\$ 1,609,524
Fire	1,718,607	1,657,075	1,504,377	1,364,865	1,300,213
Police	2,795,615	2,505,240	2,516,278	2,306,447	2,199,518
Streets	821,541	781,988	899,792	696,973	547,824
Parks	516,784	501,053	466,897	549,256	476,919
Debt Service					
Principal	215,510	238,711	250,538	287,411	1,822,985
Interest and Other Charges	14,458	11,969	21,295	23,873	52,949
Capital Outlay	684,232	892,207	773,957	408,228	214,932
<b>Total Expenditures</b>	<u>\$ 7,267,603</u>	<u>\$ 6,925,212</u>	<u>\$ 6,678,948</u>	<u>\$ 6,017,670</u>	<u>\$ 8,224,864</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>\$ (1,639,343)</u>	<u>\$ (1,886,604)</u>	<u>\$ (1,825,235)</u>	<u>\$ (1,569,624)</u>	<u>\$ (3,807,942)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers In <sup>(a)</sup>	\$ 3,566,319	\$ 2,397,087	\$ 2,363,787	\$ 3,165,414	\$ 2,301,664
Transfers Out	(760,826)	(757,251)	(787,673)	(664,098)	-
Proceeds from Sale of Assets	6,736	17,450	23,128	22,330	-
Proceeds from Loans	-	271,290	189,091	-	208,158
Proceeds From Issuance of debt	-	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>\$ 2,812,229</u>	<u>\$ 1,928,576</u>	<u>\$ 1,788,333</u>	<u>\$ 2,523,646</u>	<u>\$ 2,509,822</u>
<b>Net Change in Fund Balance</b>	<u>\$ 1,172,886</u>	<u>\$ 41,972</u>	<u>\$ (36,902)</u>	<u>\$ 954,022</u>	<u>\$ (1,298,120)</u>
<b>Fund Balances at Beginning of Year</b>	310,542	268,570	305,472	(648,550)	630,210
Period Adjustment	-	-	-	-	19,360
<b>Fund Balances at End of Year</b>	<u>\$ 1,483,428</u>	<u>\$ 310,542</u>	<u>\$ 268,570</u>	<u>\$ 305,472</u>	<u>\$ (648,550)</u>

(a) Reflects interfund transfers from the City's propriety funds to the City's general fund. Pursuant to the City's practice of maintaining a low ad valorem tax rate, the City transfers surplus revenues from the operation of the City's gas system, water system and wastewater system to the City's general fund for primary governmental use. The City, at its option, may change the dollar amounts of such interfund transfers or discontinue such interfund transfers in the future.

Source: The Issuer's Audited Financial Statements for Fiscal Year Ending September 30, 2020.

**CONDENSED WATERWORKS AND SEWER SYSTEM OPERATING STATEMENTS**

**TABLE 19**

	Fiscal Year Ended September 30				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Revenues	\$ 4,698,186	\$ 4,602,417	\$ 4,946,059	\$ 4,734,470	\$ 4,883,036
Expenses	2,471,659	1,913,333	2,049,419	2,017,880	1,099,354
Available for Debt Service	<u>\$ 2,226,527</u>	<u>\$ 2,689,084</u>	<u>\$ 2,424,037</u>	<u>\$ 2,716,590</u>	<u>\$ 3,783,682</u>
Annual Debt Service Requirements					
Paid From System Revenues	<u>\$1,054,211</u>	<u>\$1,054,211</u>	<u>\$1,054,211</u>	<u>\$1,107,608</u>	<u>\$1,728,187</u>
Coverage of Debt Service Paid From System Revenues	<u>2.11 x</u>	<u>2.55 x</u>	<u>2.30 x</u>	<u>2.45 x</u>	<u>2.19 x</u>
Customer Count					
Water	<u>5,495</u>	<u>5,703</u>	<u>5,749</u>	<u>5,551</u>	<u>5,467</u>
Sewer	<u>5,073</u>	<u>5,159</u>	<u>5,159</u>	<u>5,159</u>	<u>5,088</u>

**WATER RATES**

**TABLE 20**

*(Based on Monthly Billing)*

**Existing Rates  
(Effective October 1, 2020)**

The monthly rates shall be the sum of the monthly customer charge plus the monthly volume charge, as shown below:

**Residential Service:**

Minimum up to 3,000 Gallons	\$ 20.00	per month
Each 1,000 Gallons after Minimum	3.00	
 Bulk Water Rate per 1,000 Gallons (\$5.00 Minimum per Month)	 \$ 5.00	

**Commercial Service:**

Minimum up to 3,000 Gallons	\$ 25.31	per month
Each 1,000 Gallons after Minimum	3.00	
 Outside City Limits Surcharge per Month	 \$ 10.00	

The minimum monthly charge shall be the greater of the following:

1. The customer charge plus the volume charge; or
2. The amount specified in any contract between the customer and the City.

**WATER TAPPING FEES**

**TABLE 21**

**Existing Rates  
(Effective October 1, 2020)**

1" (¾" where applicable) Service Tap and Meter	\$ 540.00
1 ½" Service Tap and Meter	740.00
2" Service Tap and Meter	835.00
Over 2" Service Tap and Meter	Actual Cost



<u>Name of Customer</u>	<u>Average Monthly Consumption Gallons</u>	<u>Average Monthly Bill</u>
Moore Tex Water Supply	797,400	2,440.30
Memorial Hospital	268,800	832.35
Parkview Addition Apartments	244,600	739.29
Brookhollow- B Barker	115,200	348.27
Best Western Windsor Inn	81,500	247.32
Jasmine Apartments	57,800	189.04
Ya Za	46,700	152.58
Grace Thru Faith Fellowship	47,400	143.48
Shine on Enterprises	46,500	140.98
Richita Krupa, LLC	38,100	125.18
<b>Total</b>	<b><u>1,744,000</u></b>	<b>Average <u>\$ 5,358.79</u></b>

SEWER RATES

TABLE 23

*(Based on Monthly Billing)*

**Proposed Rates  
(Effective May 1, 2014)**

**Residential Service:**

Minimum up to 3,000 Gallons	\$ 20.00 per month
Each 1,000 Gallons after Minimum	3.25

Consumption is based on water winter quarter average usage.

**Commercial Service:**

Minimum up to 3,000 Gallons	\$ 25.31 per month
Each 1,000 Gallons after Minimum	3.25

Consumption is based on actual water usage.

\*Outside City limits surcharge each month \$10.00

**Bulkwater:**

Bulk water \$5.00 per 1,000 gallons and \$5.00 minimum per month

PRINCIPAL SEWER CUSTOMERS - 2020

TABLE 24

<u>Name of Customer</u>	<u>Average Monthly Consumption Gallons</u>	<u>Average Monthly Bill</u>
Best Western Windsor Inn	149,100	478.19
Brookhollow Apartments	213,600	684.59
Jack Bailey	371,000	119.00
Jasmine Apartments	578,000	184.90
Moore County Hospital	236,900	759.32
Richita Krupa, LLC	101,400	325.46
Shine on Enterprises	148,400	475.90
YMCA	30,900	99.27
Charmain Properties	150,537	794.67
Hampton Inn	153,625	497.00
<b>Total</b>	<b><u>2,133,462</u></b>	<b>Average <u>\$ 4,418.30</u></b>

**STATEMENT OF SOLID WASTE DISPOSAL REVENUES AND EXPENSES**

**TABLE 25**

	<b>Fiscal Year Ended September 30</b>				
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Charges for Services (Revenues)	\$ 2,341,740	\$ 2,314,041	\$ 2,476,172	\$ 2,506,680	\$ 2,473,465
Expenses	<u>2,630,662</u>	<u>1,936,124</u>	<u>2,221,427</u>	<u>2,266,437</u>	<u>1,507,861</u>
Net Revenues Available for Debt Service	<u>\$ (288,922)</u>	<u>\$ 377,917</u>	<u>\$ 254,745</u>	<u>\$ 240,243</u>	<u>\$ 965,604</u>
Annual Debt Service Requirements	<u>\$ 160,588</u>	<u>\$ 160,588</u>	<u>\$ 161,632</u>	<u>\$ 256,333</u>	<u>\$ 621,695</u>
Debt Service Coverage	<u>(1.80) X</u>	<u>2.35 X</u>	<u>1.58 X</u>	<u>0.94 X</u>	<u>1.55 X</u>

Source: The Issuer's Annual Audited Financial Statements and other information from the Issuer.

Note: Although the City intends to pay self-supporting debt from solid waste revenues, such revenues are not sufficient and the City did levy an ad valorem tax to pay such debt for FY 2016.

**SOLID WASTE DISPOSAL/SEWER SERVICE FEES**

**TABLE 26**

<b>Current Monthly Fees</b> (Effective May 1, 2014)	
Residential	
Minimum up to 3,000 gallons	\$ 14.50
Each 1,000 gallons after	\$ 3.19
Consumption based on water winter quarter average usage	
Commercial	
Minimum up to 3,000 gallons	\$ 17.00
Each 1,000 gallons after	\$ 3.19
Consumption based on actual water usage	

**APPENDIX B**

**GENERAL INFORMATION REGARDING THE CITY OF DUMAS  
AND MOORE COUNTY, TEXAS**

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**GENERAL INFORMATION REGARDING THE CITY OF DUMAS  
AND MOORE COUNTY, TEXAS**

*This APPENDIX contains a brief discussion of certain economic and demographic characteristics of the area in which the City is located. Information in this Appendix has been obtained from the sources noted. They are believed to be reliable, although no investigation has been made to verify the accuracy of such information. Additionally, the following information is qualified by the impact from the effects of the COVID-19 pandemic. Within the body of the Official Statement, under caption "INTRODUCTION – Infectious Disease Outbreak – COVID-19," the City described this event, as well as its initial impact and possible effects. The City has not attempted to update the descriptions included in this APPENDIX B to account for the effects of COVID-19, as the specific results of this event are evolving and their extent unknown; rather, the City makes reference to the aforementioned section of the body of the Official Statement and directs the reader thereto for a general discussion of the COVID-19 event as of the date of the Official Statement.*

**General Information:**

The City of Dumas (the "City") is the county seat and principal industrial and commercial center of Moore County. It is located at the junction of U.S. Highways 87 and 287. The City's 2010 census was 14,691, increasing 6.87% since 2000. The current estimated population 15,500. The economy is made up principally of natural gas and petroleum operations, with agriculture income derived from cattle, sorghums, wheat and corn.

Higher education opportunities within commuting distance of the City include Amarillo College, Frank Phillips College, West Texas A&M University and Panhandle State University. Community facilities include eight parks, a museum, a library and a county art center.



**Population:**

<b>Census Report</b>	<b>City of Dumas</b>	<b>Moore County</b>
2021 Estimate	15,500	22,120
2010	14,691	21,691
2000	13,747	20,121
1990	12,871	17,865
1980	12,149	16,575

*Sources: United States Bureau of the Census Website and Dumas Economic Development Corporation*

**Major Employers for City of Dumas and Surrounding Area:**

<b>Employer</b>	<b>Type of Business</b>	<b>Number of Employees</b>
JBS & Tannery	Beef Slaughtering & Prefabrication/ Hides	3014
Dumas ISD	Education	691
Valero Energy Corp. Mckee Refinery	Chemicals/ Refinery	480
Faria Dairy	Dairy	298
Moore County Hospital District	Medical Services	278
AG Producers CO-OP	Farming Co-Op	153
Wal-Mart Super Center	Discount Store	142
Moore County	Municipal Services	140
Venable's Welding/Roustabout	Welding/ Roustabout	130
City of Dumas	Municipal Services	118

Source: *Dumas/Moore County Chamber of Commerce*

**MOORE COUNTY**

Moore County (the "County") is a Texas panhandle county traversed by U.S. Highways 87 and 287. The economy is based on natural gas and petroleum operations. Sources of agricultural income include cattle, corn, wheat, sorghum, cotton, soybeans, and sunflowers. Minerals produced include gas, oil, and helium. Both the Alibates Flint Quarries National Monument and Lake Meredith National Recreation Area (a 22 mile drive from Dumas) are partially within the County. The 2010 census for the County was 21,691, an increase of 7.43% since 2000. The current population estimate for 22,120.

**Labor Force Statistics**

	<b>Moore County</b>		<b>Amarillo Metropolitan Statistical Area</b>	
	<b><u>December 2020</u></b>	<b><u>December 2019</u></b>	<b><u>December 2020</u></b>	<b><u>December 2019</u></b>
Civilian Labor Force	10,461	10,829	128,837	132,915
Total Employed	10,024	10,587	122,580	129,845
Total Unemployed	437	242	6,257	3,070
% Unemployed	4.2%	2.2%	4.9%	2.3%
% Unemployed (Texas)	7.1%	3.3%	7.1%	3.3%
% Unemployed (United States)	6.5%	3.4%	6.5%	3.4%

Source: *Texas Workforce Commission, Labor Market Information Department.*

**APPENDIX C**

**FORM OF LEGAL OPINION OF BOND COUNSEL**

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April 14, 2021

Norton Rose Fulbright US LLP

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**FINAL**

IN REGARD to the authorization and issuance of the “City of Dumas, Texas Combination Tax and Limited Pledge Revenue Certificates of Obligation, Series 2021” (the *Certificates*), dated April 1, 2021 in the aggregate principal amount of \$9,610,000. We have reviewed the legality and validity of the issuance thereof by the City Commission of the City of Dumas, Texas (the *Issuer*). The Certificates are issuable in fully registered form only in denominations of \$5,000 or any integral multiple thereof (within a Stated Maturity). The Certificates have Stated Maturities of September 1 in each of the years 2022 through 2041, unless redeemed prior to Stated Maturity in accordance with the terms stated on the face of the Certificates. Interest on the Certificates accrues from the dates, at the rates, in the manner, and is payable on the dates as provided in the ordinance (the *Ordinance*) authorizing the issuance of the Certificates. Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Ordinance.

WE HAVE SERVED AS BOND COUNSEL for the Issuer solely to pass upon the legality and validity of the issuance of the Certificates under the laws of the State of Texas and with respect to the exclusion of the interest on the Certificates from the gross income of the owners thereof for federal income tax purposes and for no other purpose. 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 Issuer’s combined utility system and have not assumed any responsibility with respect to the financial condition or capabilities of the Issuer or the disclosure thereof in connection with the sale of the Certificates. We express no opinion and make no comment with respect to the sufficiency of the security for or the marketability of the Certificates. Our role in connection with the Issuer’s Official Statement prepared for use in connection with the sale of the Certificates has been limited as described therein.

WE HAVE EXAMINED the applicable and pertinent laws of the State of Texas and the United States of America. In rendering the opinions herein we rely upon (1) original or certified copies of the proceedings of the City Commission of the Issuer in connection with the issuance of the Certificates, including the Ordinance; (2) customary certifications and opinions of officials of the Issuer; (3) certificates executed by officers of the Issuer relating to the expected use and investment of proceeds of the Certificates and certain other funds of the Issuer and to certain other facts solely within the knowledge and control of the Issuer; and (4) such other documentation, including an examination of the Certificate executed and delivered initially by the Issuer and such matters of law as we deem relevant to the matters discussed below. In such examination, we have assumed the authenticity of all documents submitted to us as originals, the conformity to original copies of all documents submitted to us as certified copies, and the accuracy of the statements and information contained in such certificates. We express no opinion

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**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF DUMAS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021”**

concerning any effect on the following opinions which may result from changes in law effected after the date hereof.

BASED ON OUR EXAMINATION, IT IS OUR OPINION that the Certificates have been duly authorized and issued in conformity with the laws of the State of Texas now in force and that the Certificates are valid and legally binding obligations of the Issuer enforceable in accordance with the terms and conditions described therein, except to the extent that the enforceability thereof may be affected by bankruptcy, insolvency, reorganization, moratorium, or other similar laws affecting creditors' rights or the exercise of judicial discretion in accordance with general principles of equity. The Certificates are payable from the proceeds of an ad valorem tax levied, within the limitations prescribed by law, upon all taxable property within the Issuer and are additionally payable from and secured by a lien on and pledge of the Pledged Revenues, being a limited amount of the Net Revenues derived from the operation of the Issuer's combined utility system (the *System*), such lien on and pledge of the limited amount of Net Revenues being subordinate and inferior to the lien on and pledge thereof providing for the payment and security of the currently outstanding Surplus Lien Obligations and any Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, or Additional Surplus Lien Obligations hereafter issued by the Issuer. The Issuer has previously authorized the issuance of the Surplus Lien Obligations that are payable in part from and secured by a lien on and pledge of the surplus Net Revenues of the System in accordance with the ordinances authorizing the issuance of the currently outstanding Surplus Lien Obligations. In the Ordinance, the Issuer reserves and retains the right to issue Prior Lien Obligations, Junior Lien Obligations, Subordinate Lien Obligations, Additional Surplus Lien Obligations, and Additional Limited Pledge Obligations without limitation as to principal amount but subject to any terms, conditions, or restrictions as may be applicable thereto under law or otherwise.

BASED ON OUR EXAMINATION, IT IS FURTHER OUR OPINION that, assuming continuing compliance after the date hereof by the Issuer with the provisions of the Ordinance and in reliance upon the representations and certifications of the Issuer made in a certificate of even date herewith pertaining to the use, expenditure, and investment of the proceeds of the Certificates, under existing statutes, regulations, published rulings, and court decisions (1) interest on the Certificates will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date hereof (the *Code*), of the owners thereof for federal income tax purposes, pursuant to section 103 of the Code, and (2) interest on the Certificates will not be included in computing the alternative minimum taxable income of the owners thereof.

WE EXPRESS NO OTHER OPINION with respect to any other federal, state, or local tax consequences under present law or any proposed legislation resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Certificates. Ownership of tax-exempt obligations such as the Certificates may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, certain foreign corporations doing business in the United States, S corporations with subchapter C earnings and profits, owners of an interest in a financial asset securitization

**Legal Opinion of Norton Rose Fulbright US LLP, Austin and San Antonio, Texas, in connection with the authorization and issuance of “CITY OF DUMAS, TEXAS COMBINATION TAX AND LIMITED PLEDGE REVENUE CERTIFICATES OF OBLIGATION, SERIES 2021”**

investment trust, individual recipients of Social Security or Railroad Retirement Benefits, individuals otherwise qualifying for the earned income credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations.

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; rather, such opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

Norton Rose Fulbright US LLP

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**APPENDIX D**

**FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2020**

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

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**CITY OF DUMAS, TEXAS**

**Annual Financial Report**

**For the Year Ended  
September 30, 2019**





**CITY OF DUMAS, TEXAS  
ANNUAL FINANCIAL REPORT  
FOR YEAR ENDED SEPTEMBER 30, 2019**

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## **INTRODUCTORY SECTION**

**CITY OF DUMAS, TEXAS**

**PRINCIPAL OFFICIALS**

**SEPTEMBER 30, 2019**

Bob Brinkman	Mayor
Pat Sims	Mayor Pro-Tem
Justin Willis	Commissioner
Ben Maples	Commissioner
Mike Barr	Commissioner
Arbie Taylor	City Manager
Summer Giffin	Director of Finance

## **FINANCIAL SECTION**



To The Honorable Mayor and  
Members of the City Commission  
City of Dumas, Texas

## INDEPENDENT AUDITORS' REPORT

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

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

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the City of Dumas, Texas as of September 30, 2019, and the respective changes in financial position, and where applicable, cash flows thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the required supplemental information (pages 47 – 50), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The City has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States of America require to be presented by the Government 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. The independent auditors' opinion is not affected by the omission of the MD&A.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dumas, Texas's basic financial statements. The introductory section and combining non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining non-major fund financial statements are the responsibility of management and were derived from and relate 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 reconciling 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 information is fairly stated in all material respects in relation to the financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated May 15, 2020, on our consideration of the City of Dumas, Texas's, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Dumas, Texas's internal control over internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be in conjunction with this report in considering the results of our audit.

*DOSHIER, PICKENS & FRANCIS, L.L.C.*

DOSHIER, PICKENS & FRANCIS, LLC

May 15, 2020





## **BASIC FINANCIAL STATEMENTS**

**CITY OF DUMAS, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b>ASSETS</b>				
Cash and cash equivalents	\$ 3,556,840	\$ 647,045	\$ 4,203,885	\$ 184,038
Investments	-	1,128,317	1,128,317	-
Restricted cash - customer deposits	-	428,244	428,244	-
Receivables, net	864,937	2,224,737	3,089,674	344
Internal balances	(509,375)	509,375	-	-
Due from primary government	-	-	-	164,764
Intergovernmental receivables	747,517	-	747,517	-
Inventories	298	-	298	-
Prepaid items	-	151,060	151,060	1,242
Prepaid debt issuance costs (net of accumulated amortization)	-	181,578	181,578	-
Cash surrender value - Officer life insurance	-	-	-	39,512
Capital assets not being depreciated:				
Land	157,032	864,174	1,021,206	614,058
Construction in progress	1,922,154	-	1,922,154	4,680
Capital assets				
Buildings	6,568,853	441,421	7,010,274	4,027,267
Vehicles	3,629,458	1,974,071	5,603,529	-
Furniture and equipment	3,599,491	4,532,529	8,132,020	14,651
Infrastructure	503,870	36,177,415	36,681,285	1,814,147
Water rights	-	1,696,884	1,696,884	-
Less: Accumulated depreciation	(9,479,838)	(20,013,661)	(29,493,499)	(1,245,234)
<b>Total assets</b>	<b>11,561,237</b>	<b>30,943,189</b>	<b>42,504,426</b>	<b>5,619,469</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charge on refunding bonds	227,501	-	227,501	-
Pension contributions	155,884	63,510	219,394	9,215
Pension deficient earnings	613,109	249,787	862,896	40,577
Pension assumption changes	3,335	1,357	4,692	221
OPEB contributions	1,691	689	2,380	100
OPEB assumption changes	9,995	4,072	14,067	661
<b>Total deferred outflows of resources</b>	<b>1,011,515</b>	<b>319,415</b>	<b>1,330,930</b>	<b>50,774</b>

Continued

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

**CITY OF DUMAS, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2019**

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
<b>LIABILITIES</b>				
Accounts payable	\$ 635,948	\$ 485,692	\$ 1,121,640	\$ 34,110
Accrued interest	25,481	44,979	70,460	7,755
Intergovernmental payable	41,144	19,775	60,919	-
Due to component unit	164,764	-	164,764	-
Customer deposits	-	428,244	428,244	-
Unearned revenues	-	-	-	8,900
Noncurrent liabilities:				
Due within one year	561,810	1,139,216	1,701,026	143,656
Due in more than one year	3,728,920	16,416,992	20,145,912	2,540,589
Landfill closure and post-closure costs	-	2,358,064	2,358,064	-
Net pension liability	997,964	406,581	1,404,545	66,047
Other post-employment benefit liability	192,895	78,587	271,482	12,766
Total liabilities	<u>6,348,926</u>	<u>21,378,130</u>	<u>27,727,056</u>	<u>2,813,823</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension economic/demographic gains	237,578	96,792	334,370	15,723
OPEB economic/demographic gains	7,825	3,187	11,012	518
OPEB assumption changes	10,659	4,343	15,002	705
Total deferred inflows of resources	<u>256,062</u>	<u>104,322</u>	<u>360,384</u>	<u>16,946</u>
<b>NET POSITION</b>				
Net investment in capital assets	2,773,126	8,164,832	10,937,958	2,555,401
Restricted:				
By enabling legislation for				
special projects	1,082,187	-	1,082,187	-
Special projects	16,480	-	16,480	-
Debt service	404,280	-	404,280	-
Capital projects	792,801	-	792,801	-
Unrestricted	898,890	1,615,320	2,514,210	284,073
Total net position	<u>\$ 5,967,764</u>	<u>\$ 9,780,152</u>	<u>\$ 15,747,916</u>	<u>\$ 2,839,474</u>

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

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

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental activities:				
City commission	\$ 7,131	\$ -	\$ -	\$ -
Administration	332,627	72,435	-	-
Warehouse	45,834	-	-	-
Inspections	13,638	-	-	-
Purchasing	15,092	-	-	-
Communications	16,274	-	-	-
Fire	1,568,768	-	5,938	-
Police	2,792,715	456,948	23,143	7,560
Streets	780,781	-	-	269,940
Recreation and culture	773,033	-	-	-
Parks	721,441	55,639	-	930,104
Interest on long-term debt	158,771	-	-	-
Total governmental activities	<u>7,226,105</u>	<u>585,022</u>	<u>29,081</u>	<u>1,207,604</u>
Business-Type Activities:				
Waste management	2,556,070	2,253,343	-	-
Gas utility	2,579,096	4,137,364	-	-
Water utility	1,505,524	2,831,738	-	-
Wastewater utility	1,378,659	1,662,398	-	-
Pheasant Trails Golf Course	590,705	226,857	-	-
Total business-type activities	<u>8,610,054</u>	<u>11,111,700</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 15,836,159</u>	<u>\$ 11,696,722</u>	<u>\$ 29,081</u>	<u>\$ 1,207,604</u>
<b>Component Unit:</b>				
Economic Development	<u>\$ 937,555</u>	<u>\$ 104,958</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:  
Property taxes  
Property taxes, levied for debt service  
Sales and use taxes  
Franchise taxes  
Hotel/Motel taxes  
Alcoholic beverage taxes  
Unrestricted investment earnings  
Gain on disposal of assets  
Miscellaneous  
Transfers

Total general revenues

Change in net position

Net position - beginning

Net position - ending

Net (Expense) Revenue and Changes in Net Position

Primary Government			Component Unit
Governmental Activities	Business-Type Activities	Total	Economic Development Corporation
\$ (7,131)	\$ -	\$ (7,131)	\$ -
(260,192)	-	(260,192)	-
(45,834)	-	(45,834)	-
(13,638)	-	(13,638)	-
(15,092)	-	(15,092)	-
(16,274)	-	(16,274)	-
(1,562,830)	-	(1,562,830)	-
(2,305,064)	-	(2,305,064)	-
(510,841)	-	(510,841)	-
(773,033)	-	(773,033)	-
264,302	-	264,302	-
(158,771)	-	(158,771)	-
<u>(5,404,398)</u>	<u>-</u>	<u>(5,404,398)</u>	<u>-</u>
-	(302,727)	(302,727)	-
-	1,558,268	1,558,268	-
-	1,326,214	1,326,214	-
-	283,739	283,739	-
-	(363,848)	(363,848)	-
<u>-</u>	<u>2,501,646</u>	<u>2,501,646</u>	<u>-</u>
<u>(5,404,398)</u>	<u>2,501,646</u>	<u>(2,902,752)</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>(832,597)</u>
900,665	-	900,665	-
1,225,979	-	1,225,979	-
2,776,593	-	2,776,593	925,531
567,820	-	567,820	-
660,260	-	660,260	-
20,223	-	20,223	-
10,550	27,490	38,040	445
17,450	46,130	63,580	-
237,048	372,982	610,030	14,452
1,228,772	(1,228,772)	-	-
<u>7,645,360</u>	<u>(782,170)</u>	<u>6,863,190</u>	<u>940,428</u>
2,240,962	1,719,476	3,960,438	107,831
<u>3,726,802</u>	<u>8,060,676</u>	<u>11,787,478</u>	<u>2,731,643</u>
<u>\$ 5,967,764</u>	<u>\$ 9,780,152</u>	<u>\$ 15,747,916</u>	<u>\$ 2,839,474</u>

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

**CITY OF DUMAS, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2019**

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 797	\$ 404,280	\$ 777,286
Accounts receivables, net	577,002	-	-
Taxes receivable, net	24,304	-	-
Due from other funds	65,875	-	-
Due from other governments	659,058	-	88,459
Inventories	298	-	-
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 1,327,334</u>	<u>\$ 404,280</u>	<u>865,745</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 324,921	\$ -	72,944
Due to other funds	212,620	-	-
Payable to other governments	205,908	-	-
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>743,449</u>	<u>-</u>	<u>72,944</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	19,350	-	-
Unavailable revenue - other receivables	253,993	-	-
	<hr/>	<hr/>	<hr/>
Total deferred inflows of resources	<u>273,343</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories	298	-	-
Restricted:			
By enabling legislation for special projects	-	-	-
Special projects	-	-	-
Debt service	-	404,280	-
Capital projects	-	-	792,801
Assigned to:			
Special projects	-	-	-
Capital replacement	26,773	-	-
Unassigned	283,471	-	-
	<hr/>	<hr/>	<hr/>
Total fund balances	<u>310,542</u>	<u>404,280</u>	<u>792,801</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,327,334</u>	<u>\$ 404,280</u>	<u>865,745</u>

<u>Non-major Governmental</u>	<u>Total Governmental Funds</u>
\$ 1,183,802	\$ 2,366,165
144,733	721,735
-	24,304
-	65,875
-	747,517
-	298
<u>\$ 1,328,535</u>	<u>\$ 3,925,894</u>
\$ 174,595	\$ 572,460
-	212,620
-	205,908
<u>174,595</u>	<u>990,988</u>
-	19,350
-	253,993
<u>-</u>	<u>273,343</u>
-	298
1,082,187	1,082,187
16,480	16,480
-	404,280
-	792,801
55,273	55,273
-	26,773
-	283,471
<u>1,153,940</u>	<u>2,661,563</u>
<u>\$ 1,328,535</u>	<u>\$ 3,925,894</u>

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





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

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds	\$	2,661,563
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.		6,901,020
Certain accounts receivable are not available to pay for current-period expenditures and, therefore, are shown as unavailable revenues in the fund financial statements		273,343
Pension and OPEB losses, deficient earnings, and assumption changes are shown as deferred outflows of resources in the government-wide financial statements.		
Pension deficient earnings		613,109
Pension assumption changes		3,335
OPEB assumption changes		9,995
Pension and OPEB contributions paid after the measurement date, December 31, 2018, and before September 30, 2019 are expensed in the governmental funds and shown as deferred outflows of resources in the government-wide financial statements.		
Pension contributions		155,884
OPEB contributions		1,691
Pension gains and excess earnings are shown as deferred inflows of resources in the government-wide financial statements.		
Pension economic/demographic gains		(237,578)
OPEB economic/demographic gains		(7,825)
OPEB assumption changes		(10,659)
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the funds:		
Bonds, capital leases, and notes payable		(4,127,893)
Deferred charge on refunding		227,501
Accrued interest payable		(25,481)
Compensated absences		(162,837)
Other post employment benefit liability		(192,895)
Net pension liability		(997,964)
The assets and liabilities of internal service funds are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position. (netted for capital assets reported above and the portion allocated to business-type activities)		883,455
Net position - governmental activities	\$	5,967,764

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

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

	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
<b>REVENUES</b>			
Taxes:			
Property	\$ 896,637	\$ 1,225,978	\$ -
Sales	2,776,593	-	-
Franchise	567,820	-	-
Hotel/Motel	-	-	-
Mixed beverage	20,223	-	-
Licenses and fees	128,074	-	-
Fines and forfeitures	376,992	-	-
Intergovernmental	24,731	-	1,200,044
Investment earnings	10,550	-	-
Miscellaneous	236,988	-	-
	<u>5,038,608</u>	<u>1,225,978</u>	<u>1,200,044</u>
Total revenues			
<b>EXPENDITURES</b>			
Current:			
City commission	6,978	-	-
Administration	237,353	2,650	-
Warehouse	34,205	-	-
Inspections	23,155	-	-
Purchasing	14,302	-	-
Communications	20,976	-	-
Fire	1,657,075	-	-
Police	2,505,240	-	-
Streets	781,988	-	-
Recreation and culture	-	-	-
Parks	501,053	-	-
Debt Service:			
Principal	238,711	320,000	-
Interest and other charges	11,969	127,673	-
Capital Outlay	892,207	-	1,892,198
	<u>6,925,212</u>	<u>450,323</u>	<u>1,892,198</u>
Total expenditures			
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>			
	<u>(1,886,604)</u>	<u>775,655</u>	<u>(692,154)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from sale of assets	17,450	-	-
Proceeds from capital lease	271,290	-	-
Transfers in	2,397,087	247,061	95,435
Transfers out	(757,251)	(767,835)	-
	<u>1,928,576</u>	<u>(520,774)</u>	<u>95,435</u>
Total other financing sources (uses)			
<b>NET CHANGE IN FUND BALANCES</b>			
	41,972	254,881	(596,719)
<b>FUND BALANCES - BEGINNING</b>			
	<u>268,570</u>	<u>149,399</u>	<u>1,389,520</u>
<b>FUND BALANCES - ENDING</b>			
	<u>\$ 310,542</u>	<u>\$ 404,280</u>	<u>792,801</u>

<u>Non-major Governmental</u>	<u>Total Governmental</u>
\$ -	\$ 2,122,615
-	2,776,593
-	567,820
660,260	660,260
-	20,223
-	128,074
15,068	392,060
9,670	1,234,445
-	10,550
2,302	239,290
<u>687,300</u>	<u>8,151,930</u>
-	6,978
-	240,003
-	34,205
-	23,155
-	14,302
-	20,976
-	1,657,075
1,359	2,506,599
-	781,988
756,476	756,476
7,142	508,195
-	558,711
-	139,642
-	2,784,405
<u>764,977</u>	<u>10,032,710</u>
<u>(77,677)</u>	<u>(1,880,780)</u>
-	17,450
-	271,290
15,000	2,754,583
-	(1,525,086)
<u>15,000</u>	<u>1,518,237</u>
(62,677)	(362,543)
<u>1,216,617</u>	<u>3,024,106</u>
<u>\$ 1,153,940</u>	<u>\$ 2,661,563</u>

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



**CITY OF DUMAS, 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 change in fund balances - total governmental funds: \$ (362,543)

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlays, \$2,784,405 exceeded depreciation, \$660,312 in the current period. 2,124,093

Governmental funds do not report transfers of capital assets between the governmental and business-type activities as an other financing use. In contrast, the Statement of Activities records the transferring of all assets as general revenues. (405,780)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. This amount represents the change in unavailable revenue. 68,917

In the Statement of Net Position, incurring debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayments of principal is an expenditure in the governmental funds, but reduces the liability in the Statement of Net Position.

Debt issued or incurred	(271,290)
Amortization of premiums on bonds issued	14,273
Amortization of deferred charge on bond refunding	(16,749)
Principal repayments	558,711
Accrued interest payable, net change	(16,654)

Changes in pension and OPEB related liabilities, outflows, and inflows reported in the government-wide Statement of Activities are not reported in the governmental funds as revenues or expenditures. (83,614)

Accrued compensated absences are not reported as an expenditure in the governmental funds. This is the change in the accrual amounts for the year reported in the government-wide Statement of Activities. 16,376

Internal service funds are used by management to charge the costs of maintenance to individual funds. The net revenue of certain activities of the internal service fund is reported with governmental activities. The total change in net position of the internal service fund (\$607,937) less the amount charged to business-type activities (\$7,285) is the amount of the internal service fund charged to governmental activities. 615,222

Change in net position - governmental activities \$ 2,240,962

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

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

	Business-Type Activities - Enterprise Funds							Governmental Activities		
	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course	Total Enterprise Funds	Internal Service Funds			
							Health Insurance	Capital Replacement		
<b>ASSETS</b>										
Current assets:										
Cash and cash equivalents	\$ 700	\$ 470,042	\$ 176,053	\$ -	\$ 250	\$ 647,045	\$ 2,443	\$ 1,188,232		
Investments	-	114,565	1,013,752	-	-	1,128,317	-	-		
Restricted cash - customer deposits	1,850	207,467	218,927	-	-	428,244	-	-		
Receivables, net	474,509	590,797	770,916	385,754	2,761	2,224,737	118,898	-		
Due from other funds	-	806,864	-	-	-	806,864	-	-		
Prepaid bond insurance costs, net of accumulated amortization	61,876	-	32,402	87,300	-	181,578	-	-		
Prepaid expenses	146,060	-	5,000	-	-	151,060	-	-		
<b>Total current assets</b>	<b>684,995</b>	<b>2,189,735</b>	<b>2,217,050</b>	<b>473,054</b>	<b>3,011</b>	<b>5,567,845</b>	<b>121,341</b>	<b>1,188,232</b>		
Noncurrent assets:										
Capital assets:										
Land	305,267	49,778	54,680	-	454,449	864,174	-	-		
Vehicles	1,523,380	164,145	171,275	73,016	42,255	1,974,071	-	-		
Buildings	10,194	84,076	59,130	5,711	282,310	441,421	-	-		
Furniture and equipment	3,037,703	361,014	230,994	211,963	690,855	4,532,529	-	-		
Infrastructure	6,566,689	2,560,373	13,655,730	13,003,621	391,002	36,177,415	-	-		
Water rights	-	-	1,696,884	-	-	1,696,884	-	-		
Less accumulated depreciation	(3,970,221)	(2,512,214)	(9,822,023)	(2,889,685)	(819,518)	(20,013,661)	-	-		
<b>Total noncurrent assets</b>	<b>7,473,012</b>	<b>707,172</b>	<b>6,046,670</b>	<b>10,404,626</b>	<b>1,041,353</b>	<b>25,672,833</b>	<b>-</b>	<b>-</b>		
<b>Total assets</b>	<b>8,158,007</b>	<b>2,896,907</b>	<b>8,263,720</b>	<b>10,877,680</b>	<b>1,044,364</b>	<b>31,240,678</b>	<b>121,341</b>	<b>1,188,232</b>		
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Pension contributions	26,762	15,258	9,883	4,151	7,456	63,510	-	-		
Pension deficit earnings	105,256	60,012	38,869	16,326	29,324	249,787	-	-		
Pension assumption changes	572	326	211	89	159	1,357	-	-		
OPEB contributions	290	166	107	45	81	689	-	-		
OPEB assumption changes	1,716	978	634	266	478	4,072	-	-		
<b>Total deferred outflows of resources</b>	<b>134,596</b>	<b>76,740</b>	<b>49,704</b>	<b>20,877</b>	<b>37,498</b>	<b>319,415</b>	<b>-</b>	<b>-</b>		<b>Continued</b>

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

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

	Business-Type Activities - Enterprise Funds							Governmental Activities		
	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course	Total Enterprise Funds	Internal Service Funds	Health Insurance	Capital Replacement	
Continuation										
<b>LIABILITIES</b>										
Current liabilities:										
Accounts payable	\$ 189,676	\$ 152,498	\$ 109,273	\$ 15,796	\$ 18,449	\$ 485,692	\$ 63,488	\$ -		
Accrued interest	15,390	-	8,071	21,518	-	44,979	-	-		
Due to other funds	602,082	3,168	11,173	37,980	5,716	660,119	-	-		
Due to other governments	13,193	4,269	-	-	2,313	19,775	-	-		
Customer deposits	1,850	207,467	218,927	-	-	428,244	-	-		
Compensated absences - current	2,400	1,100	400	200	700	4,800	-	-		
Long-term debt obligations - current	420,200	-	185,300	504,500	24,416	1,134,416	-	-		
Total current liabilities	1,244,791	368,502	533,144	579,994	51,594	2,778,025	63,488	-		
Noncurrent liabilities:										
Accrued compensated absences	21,606	10,105	3,831	1,688	6,177	43,407	-	-		
Net pension liability	171,327	97,682	63,268	26,573	47,731	406,581	-	-		
Other post-employment benefits liability	33,115	18,881	12,229	5,136	9,226	78,587	-	-		
Landfill closure and post-closure costs	2,358,064	-	-	-	-	2,358,064	-	-		
Long-term debt obligations	4,947,754	-	3,050,775	8,243,770	131,286	16,373,585	-	-		
Total noncurrent liabilities	7,531,866	126,668	3,130,103	8,277,167	194,420	19,260,224	-	-		
Total liabilities	8,776,657	495,170	3,663,247	8,857,161	246,014	22,038,249	63,488	-		
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Pension economic/demographic gains	40,787	23,254	15,062	6,326	11,363	96,792	-	-		
OPEB economic/demographic gains	1,343	766	496	208	374	3,187	-	-		
OPEB assumption changes	1,830	1,043	676	284	510	4,343	-	-		
Total deferred inflows of resources	43,960	25,063	16,234	6,818	12,247	104,322	-	-		
<b>NET POSITION</b>										
Net investment in capital assets	2,105,058	707,172	2,810,595	1,656,356	885,651	8,164,832	-	-		
Unrestricted (deficit)	(2,633,072)	1,746,242	1,823,348	378,222	(62,050)	1,252,690	57,853	1,188,232		
Total net position (deficit)	\$ (528,014)	\$ 2,453,414	\$ 4,633,943	\$ 2,034,578	\$ 823,601	\$ 9,417,522	\$ 57,853	\$ 1,188,232		
Adjustment to report the cumulative internal balance for the net effect of the activity between the internal service fund and the enterprise fund over time						362,630				
Net Position of business-type activities						\$ 9,780,152				

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





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

	Business-Type Activities - Enterprise Funds						Governmental Activities		
							Internal Service Funds		
	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course	Total Enterprise Funds	Health Insurance	Capital Replacement	
<b>OPERATING REVENUES:</b>									
Charges for Sales and Services:									
Charges for services	\$ 2,253,343	\$ 4,137,364	\$ 2,831,738	\$ 1,662,398	\$ 226,857	\$ 11,111,700	\$ 1,328,210	\$ 426,166	
Lease and other income	58,198	215,213	67,556	26,973	5,045	372,985	-	-	
Total operating revenues	2,311,541	4,352,577	2,899,294	1,689,371	231,902	11,484,685	1,328,210	426,166	
<b>OPERATING EXPENSES:</b>									
Personnel costs	904,830	497,951	330,017	138,348	266,646	2,137,792	-	-	
Departmental operations	941,553	609,821	847,070	597,898	233,904	3,230,246	-	-	
Depreciation	416,707	72,974	243,089	373,916	77,859	1,184,545	-	-	
Landfill closure costs	62,741	-	-	-	-	62,741	-	-	
Gas purchase for re-sale	-	1,398,541	-	-	-	1,398,541	-	-	
Insurance claims and premiums	-	-	-	-	-	-	1,551,494	-	
Total operating expenses	2,325,831	2,579,287	1,420,176	1,110,162	578,409	8,013,865	1,551,494	-	
<b>OPERATING INCOME (LOSS)</b>	(14,290)	1,773,290	1,479,118	579,209	(346,507)	3,470,820	(223,284)	426,166	
<b>NONOPERATING REVENUES (EXPENSES):</b>									
Investment earnings	-	13,738	13,752	-	-	27,490	-	-	
Interest and fiscal charges	(203,366)	-	(102,903)	(278,501)	(4,137)	(588,907)	-	-	
Gain on disposition of assets	2,500	14,500	-	-	29,130	46,130	-	-	
Total nonoperating revenues (expenses)	(200,866)	28,238	(89,151)	(278,501)	24,993	(515,287)	-	-	
<b>INCOME (LOSS) BEFORE TRANSFERS</b>	(215,156)	1,801,528	1,389,967	300,708	(321,514)	2,955,533	(223,284)	426,166	
<b>TRANSFERS, net</b>	(18,797)	(741,924)	(676,020)	(150,760)	358,729	(1,228,772)	405,055	-	
<b>CHANGE IN NET POSITION</b>	(233,953)	1,059,604	713,947	149,948	37,215	1,726,761	181,771	426,166	
<b>NET POSITION - BEGINNING (DEFICIT)</b>	(294,061)	1,393,810	3,919,996	1,884,630	786,386	7,690,761	(123,918)	762,066	
<b>NET POSITION - ENDING (DEFICIT)</b>	\$ (528,014)	\$ 2,453,414	\$ 4,633,943	\$ 2,034,578	\$ 823,601	\$ 9,417,522	\$ 57,853	\$ 1,188,232	
Change in Net Position	\$ (233,953)	\$ 1,059,604	\$ 713,947	\$ 149,948	\$ 37,215	\$ 1,726,761	\$ 181,771	\$ 426,166	
Adjustment for the net effect of the current year activity between the internal service fund and the business-type activity - enterprise funds						(7,285)			
Changes in Net Position of business-type activities						\$ 1,719,476			

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

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

	Business-Type Activities - Enterprise Funds				
	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Receipts from customers	\$ 2,275,996	\$ 4,193,890	\$ 2,829,293	\$ 1,669,461	\$ 229,609
Receipts for internal service charges	-	-	-	-	-
Payments to employees for salaries and benefits	(774,631)	(434,967)	(287,826)	(118,846)	(231,505)
Payments to suppliers and service providers	(1,026,812)	(1,998,596)	(749,544)	(585,646)	(251,722)
Payments for interfund services used	(113,101)	(74,489)	(66,843)	(32,080)	(28,724)
Net cash provided (used) by operating activities	<u>361,452</u>	<u>1,685,838</u>	<u>1,725,080</u>	<u>932,889</u>	<u>(282,342)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>					
Transfers to other funds	(18,797)	(741,924)	(1,081,800)	(150,760)	358,729
Changes in interfund receivables/payables	594,398	(805,180)	5,942	37,433	4,082
Operating grants	-	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>575,601</u>	<u>(1,547,104)</u>	<u>(1,075,858)</u>	<u>(113,327)</u>	<u>362,811</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>					
Principal paid on capital debt	(410,200)	-	(191,870)	(493,950)	(73,988)
Interest paid on capital debt	(212,086)	-	(111,535)	(297,501)	(4,206)
Proceeds from long-term debt	-	-	-	-	163,574
Acquisition or construction of capital assets	(332,200)	(153,565)	-	(71,730)	(229,315)
Proceeds from sale of capital assets	2,500	14,500	-	-	63,466
Net cash used for capital and related financing activities	<u>(951,986)</u>	<u>(139,065)</u>	<u>(303,405)</u>	<u>(863,181)</u>	<u>(80,469)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchased investments	-	(1,068)	(13,752)	-	-
Interest on investments	-	13,738	13,752	-	-
Net cash provided by investing activities	<u>-</u>	<u>12,670</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET INCREASE / (DECREASE) IN CASH</b>	<b>(14,933)</b>	<b>12,339</b>	<b>345,817</b>	<b>(43,619)</b>	<b>-</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING (including restricted amounts)</b>	<u>17,483</u>	<u>665,170</u>	<u>49,163</u>	<u>43,619</u>	<u>250</u>
<b>CASH AND CASH EQUIVALENTS, ENDING, (including restricted amounts)</b>	<u>\$ 2,550</u>	<u>\$ 677,509</u>	<u>\$ 394,980</u>	<u>\$ -</u>	<u>\$ 250</u>

Total Enterprise Funds	Governmental Activities	
	Internal Service Funds	
	Health Insurance	Capital Replacement
\$ 11,198,249	\$ -	\$ -
-	1,209,312	426,166
(1,847,775)	-	-
(4,612,320)	(1,612,785)	-
(315,237)	-	-
4,422,917	(403,473)	426,166
(1,634,552)	405,055	-
(163,325)	-	-
-	-	-
(1,797,877)	405,055	-
(1,170,008)	-	-
(625,328)	-	-
163,574	-	-
(786,810)	-	-
80,466	-	-
(2,338,106)	-	-
(14,820)	-	-
27,490	-	-
12,670	-	-
299,604	1,582	426,166
775,685	861	762,066
<u>\$ 1,075,289</u>	<u>\$ 2,443</u>	<u>\$ 1,188,232</u>

Continued

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

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

	Business-Type Activities - Enterprise Funds				
	Waste Management	Gas Utility	Water Utility	Wastewater Utility	Pheasant Trails Golf Course
Continuation					
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>					
Operating income (loss)	\$ (14,290)	\$ 1,773,290	\$ 1,479,118	\$ 579,209	\$ (346,507)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	416,707	72,974	243,089	373,916	77,859
Change in landfill closure cost liability	62,741	-	-	-	-
(Gain)/loss on disposal of assets	-	-	-	-	-
Changes in assets and liabilities:					
(Increase) decrease in accounts receivable	(16,170)	(164,819)	(82,843)	(19,910)	(2,293)
(Increase) decrease in intergovernmental receivable	-	-	-	-	-
(Increase) decrease in prepaids	(146,060)	-	(5,000)	-	-
(Increase) decrease in inventories	-	-	-	-	-
(Increase) decrease in deferred outflows of pension and OPEB	(101,667)	(57,269)	(37,045)	(15,498)	(28,686)
Increase (decrease) in accounts payable	60,801	(5,480)	75,179	(1,876)	(17,818)
Increase (decrease) in accrued expenses	2,071	(2,733)	(1,354)	36	1,145
Increase (decrease) in pension and OPEB asset/liability	182,157	103,385	66,929	28,069	50,993
Increase (decrease) in unearned revenue	(20,000)	-	-	-	-
Increase (decrease) in customer deposits	625	6,132	12,842	-	-
Increase (decrease) in deferred inflows of pension and OPEB	(65,463)	(39,642)	(25,835)	(11,057)	(17,035)
Net cash provided (used) by operating activities	<u>\$ 361,452</u>	<u>\$ 1,685,838</u>	<u>\$ 1,725,080</u>	<u>\$ 932,889</u>	<u>\$ (282,342)</u>
<b>SCHEDULE OF NON-CASH CAPITAL ACTIVITIES:</b>					
Amortization of prepaid debt insurance costs	\$ 5,060	\$ -	\$ 2,469	\$ 6,655	\$ -
Amortization of deferred bond premiums	(12,674)	-	(10,500)	(24,034)	-
Nocash acquisition of capital assets	-	-	405,780	-	-
	<u>\$ (7,614)</u>	<u>\$ -</u>	<u>\$ 397,749</u>	<u>\$ (17,379)</u>	<u>\$ -</u>

<u>Total</u> <u>Enterprise Funds</u>	<u>Governmental</u> <u>Activities</u>	
	<u>Internal Service Funds</u>	
	<u>Health</u> <u>Insurance</u>	<u>Capital</u> <u>Replacement</u>
\$ 3,470,820	\$ (223,284)	\$ 426,166
1,184,545	-	-
62,741	-	-
-	-	-
(286,035)	(118,898)	-
-	-	-
(151,060)	-	-
-	-	-
(240,165)	-	-
110,806	(61,291)	-
(835)	-	-
431,533	-	-
(20,000)	-	-
19,599	-	-
(159,032)	-	-
<u>\$ 4,422,917</u>	<u>\$ (403,473)</u>	<u>\$ 426,166</u>
\$ 14,184	\$ -	\$ -
(47,208)	-	-
<u>405,780</u>	<u>-</u>	<u>-</u>
<u>\$ 372,756</u>	<u>\$ -</u>	<u>\$ -</u>

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

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

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

**A. General Description of Reporting Entity**

The City of Dumas, Texas (the “City”) is a municipality operating under the applicable laws and regulations of the State of Texas. It is governed by a five member City Commission (the “Commission”) elected by registered voters of the City. The City prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Government Accounting Standards Board; and it complies with the requirements of contracts and grants of agencies from which it receives funds. The City provides the following services: police and fire protection, streets, culture and recreation, conservation and development, code enforcement, and general administrative services. In addition, the City maintains a waste management operation, as well as gas, water and wastewater utility systems and operates a municipal golf course. The more significant of the City’s accounting policies are described below.

The Commission is elected by the public and it has the authority to make decisions, appoint administrators and management, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (“GASB”) in its Statement No. 61, “*The Financial Reporting Entity – Omnibus – An Amendment of GASB Statement No. 14 and No. 34.*”

Discretely Presented Component Unit: The Dumas Economic Development Corporation (DEDC) is a component unit due to the fact that the Commission appoints the DEDC board and also approves the annual budget. The DEDC has issued separately audited financial statements. Copies of the DEDC audit report for the fiscal year ended September 30, 2019 may be obtained by contacting the management of the DEDC at the following address:

Dumas Economic Development Corporation  
900 N. Dumas Ave  
Dumas, Texas 79029

**B. Basis of Presentation – Government-wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are inter-related. The statement of net position and the statement of activities include the financial activities of the overall government. The government activities column incorporates data from governmental funds, and the internal service fund, while business-type activities incorporate data from the City’s enterprise funds. Separate financial statements are provided for governmental funds and proprietary funds.

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

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

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**B. Basis of Presentation – Government-wide Financial Statements – Continuation**

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

**C. Basis of Presentation - Fund Financial Statements**

The fund financial statements provide information about the City's funds. Separate statements are presented for each fund category, governmental and proprietary. 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 non-major funds.

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

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

The City reports the following major governmental funds:

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

The Debt Service Fund accounts for the accumulation and disbursement of resources associated with the City's debt obligations. Property taxes and interest income provide the resources necessary to pay the annual principal and interest payments.

The Capital Replacement Fund is used to pay for capital expenditures of the City. The operating departments transfer to the fund an amount equal to the department's capital expenditures budget. All capital expenditures, as well as some expenditures for major repairs and supplies, are made out of the capital replacement fund. The capital expenditure is then recorded in the appropriate fund by showing it as transfer out of the capital replacement fund and a transfer into the fund for which the purchase was made.

The City reports the following major proprietary funds:

The Waste Management Fund accounts for the billing, collection, transportation, and disposal of garbage, refuse, and other waste products of the City.

The Gas Utility Fund accounts for the gas supply, distribution, billing and maintenance activities of the City.

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**C. Basis of Presentation – Fund Financial Statements – Continuation**

The Water Utility Fund accounts for the water supply, distribution, billing, and maintenance activities of the City.

The Wastewater Utility Fund accounts for the wastewater billings, collections, and maintenance activities of the City.

The Pheasant Trails Golf Course Fund accounts for the operation of the municipal golf course.

The City reports the following internal service funds:

The Health Insurance Fund is used to account for revenues and expenses related to services provided to parties inside the City. This fund facilitates the distribution of costs to the users of self-insured health insurance coverage on a cost-reimbursement basis. Because the principal users of the internal services are the City’s governmental activities, this fund type is included in the “Governmental Activities” column of the government-wide financial statements.

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

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

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

**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 and proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. Property taxes are recognized in the fiscal year for which the taxes are levied. Grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Continued



**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**D. Measurement Focus and Basis of Accounting – Continuation**

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

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

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

**E. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, and all of the Enterprise Funds.

The appropriate budget is prepared by fund and function, which is the legal level of budgetary control.

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

For the fiscal year, expenditures exceeded appropriations for capital outlay, and debt service principal and interest functions in the General Fund. These overspendings were covered by utilizing a carryover of prior year fund balance and transfers from other funds.

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

a. Cash and Cash Equivalents

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.

b. Investments

Investments in certificate of deposit are valued at cost as they are nonparticipating investments in which the value does not vary with market interest rate changes.

Continued

**CITY OF DUMAS, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation**

c. Receivable and Payable Balances

Receivables include trade, delinquent taxes, and municipal court fees and fines, all of which are shown net of an allowance for estimated uncollectible amounts. As of September 30, 2019, the allowance for estimated uncollectible delinquent taxes was \$28,521 and the allowance for estimated uncollectible municipal court fees and fines was \$2,362,487.

Payables consist of vendor obligations for goods and services and funds payable to others when the criteria for their release have been met.

d. Inventories

All inventories are valued at cost using the first-in/first-out (FIFO) method and consist of expendable supplies in the water and sewer fund and goods for sale in the golf course fund. The cost of such inventories is recorded as expenditures/expenses when consumed rather than when purchased.

e. Capital Assets

Capital assets, which include land, buildings, equipment and infrastructure assets, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

Land is not depreciated. Buildings, improvements, equipment, and infrastructure assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	15 - 50 years
Vehicles	3 - 15 years
Furniture and equipment	3 - 15 years
Infrastructure	10 - 50 years
Water rights	40 years

f. Inter-fund Activity

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

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation**

g. Use of Estimates

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

h. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs withheld from the actual debt proceeds received are reported as debt service expenditures.

i. Deferred Outflows/Inflows of Resources

The statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The deferred charge on refunding is reported in the government-wide statement of net position and the proprietary fund statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports the applicable amounts as deferred outflows as they relate to the implementation of GASB 68 and 75 for contributions paid after the measurement date, deficiency of earnings, economic losses, and assumption changes in the plans after the measurement date of the pension and OPEB plans.

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 City has two items that qualify for reporting in this category. One item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The City reports unavailable revenues from property taxes and municipal court receivables. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The other items are related to the City's pension and other postemployment benefit plans reported in the government-wide statement of net position.

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation**

j. Pensions and Other Post-Employment Benefits

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

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

k. Net Position

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

Net Investment in Capital Assets – this amount consists of capital assets net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets and adding back unspent proceeds.

Restricted – this amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments, enabling legislation, or constitutional provisions.

Unrestricted – this amount includes all amounts that comprise net position that do not meet the definition of “net investment in capital assets” or “restricted”.

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

l. Fund Balance

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

Non-spendable fund balance – (inherently not spendable)

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

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance – Continuation**

1. Fund Balance – Continuation

Restricted fund balance – (externally enforceable limitations on use)

Includes amounts that can be spent only for specific purposes stipulated by external resource providers either constitutionally or through enabling legislation. Examples include grants, court receipt restrictions (municipal technology fund) or charter restrictions.

Committed fund balance – (self-imposed limitations)

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

Unassigned fund balance – (residual net resources)

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

Fund balance flow assumptions:

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

**G. Revenues and Expenditures/Expenses**

a. Program Revenues

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or program and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or program. All taxes are reported as general revenues rather than as program revenues.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed.

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

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continuation**

**G. Revenues and Expenditures/Expenses**

c. Compensated Absences

Employees of the City are entitled to paid vacation, paid sick days and personal days off, depending on full-time status, length of service greater than 6 months, and other factors. After five years of employment, an employee shall be awarded twelve days of vacation, after ten years fifteen days of vacation, and after twenty years twenty days of vacation. A maximum accrual for sick leave of 90 days can be carried over each year. However, employees shall be allowed to receive reimbursement for a portion of any unused sick leave in excess of the 90 days at the beginning of the new year. Employees are eligible for payment of one-third of their accrued sick leave upon termination or retirement only upon completion of eight years of service.

d. Proprietary Funds Operating and Non-operating Revenues and Expenses

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

**H. Compliance and Accountability**

a. Finance-Related Legal and Contractual Provisions

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

Violation

Expenditures exceeded the budget in various functional areas in the General Fund

Action Taken

These overspendings were covered by utilizing a carryover of prior year fund balance and transfers from other funds.

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2 – DEPOSITS AND INVESTMENTS**

Following is a reconciliation of the City’s cash and deposit balances as of September 30, 2019:

Cash and deposit balances consist of:

Petty cash funds	\$	2,414
Bank deposits		4,294,379
Texas LOGIC		<u>519,374</u>
Total	\$	<u><u>4,816,167</u></u>

Cash and deposit balances are reported in the basic financial statements as follows:

Government-wide Statement of Net Position:

Unrestricted	\$	4,203,885
Restricted for customer deposits		428,244
Component unit - unrestricted		<u>184,038</u>
Total	\$	<u><u>4,816,167</u></u>

**Custodial credit risk – deposits.** This is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of September 30, 2019 the City’s deposits (cash, interest bearing accounts and certificates of deposit) with financial institutions was \$5,422,696 and the bank balance was \$5,172,763. Of the bank balance, \$750,000 was insured through the Federal Depository Insurance Corporation (FDIC) and the remaining \$4,422,763 was collateralized with securities held by the pledging of institution’s agent in the City’s name.

Following is a reconciliation of the City’s investment balances as of September 30, 2019:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Days)</b>
Certificates of deposit		
Business-Type activities (interest rates at .015 - .598%)	<u>\$ 1,128,317</u>	
Total fair value	<u><u>\$ 1,128,317</u></u>	
Portfolio weighted average maturity		<u><u>284</u></u>

**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. As of September 30, 2019 the carrying amount of the City’s investments (certificates of deposit) with financial institutions was \$1,128,317, and was insured by the FDIC and collateralized with securities held by the pledging institution’s agent in the City’s name as described above with the City’s deposits.

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 2 – DEPOSITS AND INVESTMENTS – Continuation**

As of September 30, 2019, the City had \$519,374 invested with Texas LOGIC. The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code, provide for the creation of public funds investment pools, such as Texas LOGIC, through which political subdivisions and other entities may invest public funds. The State Comptroller of Public Accounts exercises oversight responsibility over the fund. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally the State Comptroller has established an advisory board composed of both participants of the pools and other persons who do not have a business relationship with the pool. The advisory board members review the investment policy and management fee structure.

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

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

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

**Concentration of credit risk** is the risk of loss attributed to the magnitude of a government's investment in a single issuer. As of September 30, 2019, 91.2% of the City's funds were being held at the City's depository and were adequately secured as described above.

Investment Accounting Policy

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



**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 3 – CAPITAL ASSETS**

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

Primary Government:

<u>Governmental activities:</u>	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Transfers / Reclassifications</u>	<u>Ending Balances</u>
Capital assets not being depreciated:					
Land	\$ 157,032	\$ -	\$ -	\$ -	\$ 157,032
Construction in progress	491,967	2,089,723	-	(659,536)	1,922,154
Total capital assets not being depreciated	<u>648,999</u>	<u>2,089,723</u>	<u>-</u>	<u>(659,536)</u>	<u>2,079,186</u>
Capital assets being depreciated:					
Buildings	6,281,837	33,260	-	253,756	6,568,853
Vehicles	3,432,917	230,651	(34,110)	-	3,629,458
Furniture and equipment	3,168,720	430,771	-	-	3,599,491
Infrastructure	503,870	-	-	-	503,870
Total capital assets being depreciated	<u>13,387,344</u>	<u>694,682</u>	<u>(34,110)</u>	<u>253,756</u>	<u>14,301,672</u>
Less accumulated depreciating for:					
Buildings	(3,090,040)	(259,644)	-	-	(3,349,684)
Vehicles	(2,235,864)	(176,809)	34,110	-	(2,378,563)
Furniture and equipment	(3,111,108)	(217,371)	-	-	(3,328,479)
Infrastructure	(416,624)	(6,488)	-	-	(423,112)
Total accumulated depreciation	<u>(8,853,636)</u>	<u>(660,312)</u>	<u>34,110</u>	<u>-</u>	<u>(9,479,838)</u>
Total capital assets being depreciated, net	<u>4,533,708</u>	<u>34,370</u>	<u>-</u>	<u>253,756</u>	<u>4,821,834</u>
Governmental activities capital assets, net	<u>\$ 5,182,707</u>	<u>\$ 2,124,093</u>	<u>\$ -</u>	<u>\$ (405,780)</u>	<u>\$ 6,901,020</u>

Depreciation expense was charged to the functions/programs of the governmental activities of the primary government as follows:

Governmental activities:	
Administration	\$ 73,858
Police	298,918
Streets	87,327
Parks	200,209
Total depreciation expense-governmental activities	<u>\$ 660,312</u>

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 3 – CAPITAL ASSETS – Continuation**

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
<u>Business-type activities:</u>					
Capital assets not being depreciated:					
Land	\$ 864,174	\$ -	\$ -	\$ -	\$ 864,174
Total capital assets not being depreciated	864,174	-	-	-	864,174
Capital assets being depreciated:					
Buildings	441,421	-	-	-	441,421
Vehicles	2,044,833	56,741	(127,503)	-	1,974,071
Furniture and equipment	4,154,170	603,470	(225,111)	-	4,532,529
Infrastructure	35,645,036	126,599	-	405,780	36,177,415
Water rights	1,696,884	-	-	-	1,696,884
Total capital assets being depreciated	43,982,344	786,810	(352,614)	405,780	44,822,320
Less accumulated depreciation for:					
Buildings	(221,783)	(10,269)	-	-	(232,052)
Vehicles	(1,533,296)	(106,744)	127,503	-	(1,512,537)
Furniture and equipment	(2,742,991)	(327,164)	190,775	-	(2,879,380)
Infrastructure	(13,548,229)	(697,946)	-	-	(14,246,175)
Water rights	(1,101,095)	(42,422)	-	-	(1,143,517)
Total accumulated depreciation	(19,147,394)	(1,184,545)	318,278	-	(20,013,661)
Total capital assets being depreciated, net	24,834,950	(397,735)	(34,336)	405,780	24,808,659
Business-type activities capital assets, net	<u>\$ 25,699,124</u>	<u>\$ (397,735)</u>	<u>\$ (34,336)</u>	<u>\$ 405,780</u>	<u>\$ 25,672,833</u>

Depreciation expense was charged to the functions/programs of the business-type activities of the primary government as follows:

<u>Business-type activities:</u>	
Waste management	\$ 416,707
Gas utility	72,974
Water utility	243,090
Sewer utility	373,916
Pheasant Trails Golf Course	77,858
Total depreciation expense-business-type activities	<u>\$ 1,184,545</u>

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 3 – CAPITAL ASSETS – Continuation**

Component Unit:

	Beginning Balances	Increases	Decreases	Transfers / Reclassification	Ending Balances
Capital assets not being depreciated:					
Land	\$ 614,058	\$ -	\$ -	\$ -	\$ 614,058
Construction in progress	-	4,680	-	-	4,680
Total capital assets not being depreciated	614,058	4,680	-	-	618,738
Capital assets being depreciated:					
Buildings	3,942,532	84,734	-	-	4,027,266
Furniture and equipment	14,651	-	-	-	14,651
Infrastructure	1,814,147	-	-	-	1,814,147
Total capital assets being depreciated	5,771,330	84,734	-	-	5,856,064
Less accumulated depreciation for:					
Buildings	(566,209)	(104,587)	-	-	(670,796)
Furniture and equipment	(14,651)	-	-	-	(14,651)
Infrastructure	(498,087)	(61,700)	-	-	(559,787)
Total accumulated depreciation	(1,078,947)	(166,287)	-	-	(1,245,234)
Total capital assets being depreciated, net	4,692,383	(81,553)	-	-	4,610,830
Component unit capital assets, net	<u>\$ 5,306,441</u>	<u>\$ (76,873)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,229,568</u>

The only function of the component unit is the economic development and all depreciation was charged to that function.

**NOTE 4 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS**

Fund	Inter-fund Receivables	Inter-fund Payables
General Fund	\$ 65,875	\$ 212,620
Waste Management	-	602,082
Gas Utility	806,864	3,168
Water Utility	-	11,173
Waste Water Utility	-	37,980
Pheasant Trails Golf Course	-	5,716
	<u>\$ 872,739</u>	<u>\$ 872,739</u>

The primary purpose of inter-fund receivables and payables is for the purpose of eliminating deficit cash balances and recording short-term inter-fund borrowings.

Continued

**CITY OF DUMAS, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 4 – INTER-FUND RECEIVABLES, PAYABLES AND TRANSFERS – Continuation**

Fund	Inter-fund Transfers In	Inter-fund Transfers Out
General Fund	\$ 2,397,087	\$ 1,163,031
Debt Service Fund	247,061	767,835
Special Revenue Funds:		
Park improvements	15,000	-
Police Seizure	-	-
Capital Projects Fund	95,435	-
Waste Management	454,803	473,600
Gas Utility	16,383	758,307
Water Utility	490,333	1,166,353
Waste Water Utility	268,163	418,923
Pheasant Trails Golf Course	358,729	-
Internal Service Funds:		
Helath Insurance Fund	405,055	-
	<u>\$ 4,748,049</u>	<u>\$ 4,748,049</u>

The primary purpose of inter-fund transfers is to move resources necessary for the payment of long-term debt to the funds where the debt is recorded.

**NOTE 5 – LONG-TERM DEBT**

1. Long-Term Debt Activity

Advance Refunding

During the year September 30, 2015, the City issued \$2,375,000 of General Obligation Refunding Bonds, Series 2015 with an interest rates ranging between 2.00% and 3.00%. The City issued the bonds to advance refund a portion of the outstanding series 2008 Certificates of Obligation with interest rates ranging between 3.00% and 4.75%. The net proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payment on the refunded bonds. As a result, a portion of the Certificates of Obligation, Series 2008 are considered defeased and the liability for those bonds has been removed from the statement of net position.

The reacquisition price was less than the net carrying amount of the old debt by \$256,921. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt. The City advanced refunded the Certificates of Obligation, Series 2008 to reduce its total debt service payments over 14 years by \$184,861 and to obtain an economic gain.

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – LONG-TERM DEBT – Continuation**

In November 2011, the City issued \$5,800,000 of Tax and Solid Waste System Surplus Revenue Certificates of Obligation, Series 2011, (the “2011 Obligations”). Proceeds from the sale of the 2011 Obligations will be used to pay contractual obligations to be incurred for the construction of solid waste disposal system improvements. The 2011 Obligations are due and payable between September 1, 2012 and September 1, 2031, and carry variable interest rates between 2.00% and 4.00%.

In August 2012, the City issued \$8,500,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2012, (the “2012 Obligations”). Proceeds from the sale of the 2012 Obligations will be used to pay contractual obligations to be incurred for the construction and improvement of water and wastewater system properties and facilities. The 2012 Obligations are due and payable between March 1, 2013 and September 1, 2032, and carry variable interest rates between 2.25% and 4.25%.

In 2013, the City issued \$5,255,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2013, (the “2013 Obligations”). Proceeds from the sale of the 2013 Obligations will be used to pay contractual obligations to be incurred for the construction and improvement of water and wastewater system properties and facilities. The 2013 Obligations are due and payable between March 1, 2014 and September 1, 2033, and carry variable interest rates between 2.00% and 4.00%.

In March 2014, the City issued \$4,250,000 of Tax and Waterworks and Sewer System Surplus Revenue Certificates of Obligation, Series 2014, (the “2014 Obligations”). Proceeds from the sale of the 2014 Obligations will be used to pay contractual obligations to be incurred for the construction and improvement of water and wastewater system properties and facilities. The 2014 Obligations are due and payable between March 1, 2015 and September 1, 2034, and carry variable interest rates between 2.00% and 4.50%.

In August 2018, the City issued \$1,535,000 of Tax and Limited Pledge Revenue Certificates of Obligation, Series 2018, (the “2018 Obligations”). Proceeds from the sale of the 2018 Obligations will be used to pay contractual obligations to be incurred for the construction of public works, relocation of utility lines in connection with highway and road improvements. The 2018 Obligations are due and payable between March 1, 2020 and September 1, 2025, and carry an interest rate of 2.83%.

Changes in long-term obligations for the year ended September 30, 2019, are as follows:

Primary Government:

<b>Governmental Activities:</b>	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds Payable					
2015 General Obligation					
Refunding Bonds	\$ 2,290,000	\$ -	\$ (120,000)	\$ 2,170,000	\$ 125,000
2018 Certificates of Obligation	1,535,000	-	(200,000)	1,335,000	205,000
Unamortized Bond Premium	208,152	-	(14,273)	193,879	-
Capital Leases	396,435	271,290	(238,711)	429,014	215,510
Compensated Absences	179,213	212,138	(228,514)	162,837	16,300
<b>Total Governmental Activities</b>					
Long-Term Liabilities	<u>\$ 4,608,800</u>	<u>\$ 483,428</u>	<u>\$ (801,498)</u>	<u>\$ 4,290,730</u>	<u>\$ 561,810</u>

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – LONG-TERM DEBT – Continuation**

<b>Business-Type Activities:</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Bonds Payable					
2011 Certificates of Obligation	\$ 3,420,000	\$ -	\$ (300,000)	\$ 3,120,000	\$ 310,000
2012 Certificates of Obligation	6,405,000	-	(375,000)	6,030,000	385,000
2013 Certificates of Obligation	4,205,000	-	(220,000)	3,985,000	225,000
2014 Certificates of Obligation	3,785,000	-	(190,000)	3,595,000	190,000
Unamortized Bond Premiums	669,507	-	(47,208)	622,299	-
Capital Leases	77,136	163,574	(85,008)	155,702	24,416
Compensated Absences	49,042	77,706	(78,541)	48,207	4,800
Business-Type Activities Long-Term Liabilities	<u>\$ 18,610,685</u>	<u>\$ 241,280</u>	<u>\$ (1,295,757)</u>	<u>\$ 17,556,208</u>	<u>\$ 1,139,216</u>

Component Unit:

<b>DEDC</b>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Notes payable	\$ 2,813,784	\$ -	\$ (139,616)	\$ 2,674,168	\$ 143,656
Compensated Absences	11,494	18,316	(19,733)	10,077	10,077
Total Component Unit Long-Term Liabilities	<u>\$ 2,825,278</u>	<u>\$ 18,316</u>	<u>\$ (159,349)</u>	<u>\$ 2,684,245</u>	<u>\$ 153,733</u>

During prior years, compensated absences have been typically liquidated by the General Fund for governmental activities and by the Proprietary Fund in which the liability has been incurred for all business-type activities. The City does not anticipate any changes in the future for liquidation of these types of liabilities from how they have been liquidated in the past.

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**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – LONG-TERM DEBT** – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2019, are as follows:

Governmental Activities:

Years Ending September 30	Total	General Obligation Refunding Bonds, Series 2015		Certificates of Obligation Series 2018	
		Principal	Interest	Principal	Interest
2020	\$ 445,994	\$ 125,000	\$ 78,213	\$ 205,000	\$ 37,781
2021	447,692	125,000	75,713	215,000	31,979
2022	447,858	130,000	71,963	220,000	25,895
2023	452,732	140,000	68,063	225,000	19,669
2024	447,164	140,000	63,863	230,000	13,301
2025-2029	1,258,305	770,000	241,513	240,000	6,792
2030-2034	815,400	740,000	75,400	-	-
<b>Total</b>	<b>\$ 4,315,145</b>	<b>\$ 2,170,000</b>	<b>\$ 674,728</b>	<b>\$ 1,335,000</b>	<b>\$ 135,417</b>

The City paid interest expense of \$139,642 for debt serviced by Governmental Activities during the year ended September 30, 2019.

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – LONG-TERM DEBT** – Continuation

2. Debt Service Requirements

Debt service requirements at September 30, 2019, are as follows:

Business-Type Activities

Years Ending September 30	Total	Certificates of Obligation Series 2011		Certificates of Obligation Series 2012	
		Principal	Interest	Principal	Interest
2020	\$ 1,705,394	\$ 310,000	\$ 124,800	\$ 385,000	\$ 191,694
2021	1,708,944	325,000	112,400	395,000	182,069
2022	1,581,419	205,000	99,400	405,000	172,194
2023	1,580,894	215,000	91,200	415,000	162,069
2024	1,586,344	225,000	82,600	430,000	149,619
2025-2029	7,915,881	1,260,000	270,600	2,370,000	515,181
2030-2034	5,459,237	580,000	35,000	1,630,000	102,312
<b>Total</b>	<b>\$ 21,538,113</b>	<b>\$ 3,120,000</b>	<b>\$ 816,000</b>	<b>\$ 6,030,000</b>	<b>\$ 1,475,138</b>

Certificates of Obligation Series 2013		Certificates of Obligation Series 2014	
Principal	Interest	Principal	Interest
\$ 225,000	\$ 147,725	\$ 190,000	\$ 131,175
230,000	142,100	195,000	127,375
240,000	136,350	200,000	123,475
245,000	129,150	205,000	118,475
255,000	121,800	210,000	112,325
1,430,000	448,000	1,175,000	447,100
1,360,000	138,600	1,420,000	193,325
<b>\$ 3,985,000</b>	<b>\$ 1,263,725</b>	<b>\$ 3,595,000</b>	<b>\$ 1,253,250</b>

The City paid interest expense of \$625,328 for debt serviced by Business-Type Activities during the year ended September 30, 2019.



**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 5 – LONG-TERM DEBT – Continuation**

2. Debt Service Requirements

Debt service requirements at September 30, 2019, are as follows:

Component Unit:

Years Ending September 30	Total	Notes Payable	
		Principal	Interest
2020	\$ 227,216	\$ 143,656	\$ 83,560
2021	227,216	148,544	78,672
2022	227,216	153,359	73,857
2023	227,216	158,329	68,887
2024	227,216	163,282	63,934
2025-2029	1,136,080	900,132	235,948
2030-2034	1,087,227	1,006,866	80,361
Total	<u>\$ 3,359,387</u>	<u>\$ 2,674,168</u>	<u>\$ 685,219</u>

The DEDC paid interest expense of \$89,695 for debt serviced by the component unit during the year ended September 30, 2019

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 6 – LEASE OBLIGATIONS**

**Capital Leases**

The City has leased certain equipment under non-cancellable capital leases for various pieces of equipment. The interest rates range between 1.29% and 6.70%. The following summarizes the City’s obligations under capital leases:

Year Ending September 30, 2019	Governmental Activities	Business-Type Activities
2020	\$ 229,968	\$ 31,632
2021	110,311	31,632
2022	58,805	31,632
2023	58,805	81,724
Total	457,889	176,620
Less amounts representing interest	28,875	20,918
	\$ 429,014	\$ 155,702
The following summarized the assets acquired under capital lease:		
Equipment	\$ 640,346	\$ 700,943
Accumulated Depreciation	371,905	458,105
Net Leased Equipment	\$ 268,441	\$ 242,838

**NOTE 7 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the fiscal year ended 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool (“TML”). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its insurance coverage described above. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded in any of the past three fiscal years.

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS**

**A. AGENT MULTIPLE – EMPLOYER PLAN**

*Plan Description:*

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

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

*Benefits Provided:*

The plan provisions are adopted by the governing body of the City (employer), within the options available in the Texas state statutes governing TMRS. Members can retire at ages 60 and above with 5 or more years of service (10 years in some cities) or with 20-25 years of service regardless of age (depending on the city's plan chosen). Members are vested after 5 years of service (10 years for some cities).

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the City within the actuarial constraints imposed by TMRS so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TMRS.

*Employees Covered by Benefit Terms:*

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

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	87
Active employees	111

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**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation**

*Contributions:*

Under the state law governing TMRS, the contribution rate for each city is determined annually by the actuary, using the Entry Age Normal (EAN) cost method (EAN was first used in the December 31, 2014 valuation; previously, the Projected Unit Credit actuarial cost method had been used). This rate consists of the normal cost contribution rate and the prior service cost contribution rate, which is calculated to be a level percent of payroll from year to year. The normal cost contribution rate for an employee is the contribution rate which, if applied to a member's compensation throughout their period of anticipated covered service with the municipality, would be sufficient to meet all benefits payable on their behalf. The salary-weighted average of the individual rates is the total normal cost rate. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the applicable period for that city. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The City contributes to TMRS Plan at an actuarially determined rate. Both the employees and the City make contributions monthly. Since the City needs to know its contribution rate in advance for budgetary purposes, there is a one-year delay between the actuarial valuation that serves as the basis for the rate and the calendar year when the rate goes into effect (i.e., the December 31, 2014 valuation will determine the contribution rate beginning January 1, 2016).

The City contributed using the actuarially determined rate of 6.08% for the months of the accounting year in 2018 and 5.53% for the months of the accounting year in 2019. The contribution rate payable by the employee members is 5.0% for fiscal year 2019 as adopted by the governing body of the City. The employee contribution rate and the employer contribution rate may be changed by the governing body of the City.

*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 or asset 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, applied to all periods included in the measurement:

Inflation	2.50%
Salary increases	3.5% to 10.5% including inflation
Investment rate of return	6.75%
Cost-of-living adjustments	None

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

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**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation**

Actuarial calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each valuation, and reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The actuarial assumptions that determined the total pension liability as of December 31, 2018 were based on the results of an actuarial experience study for the period January 1, 2009 – December 31, 2012, except where required to be different by GASB 68.

*Discount Rate:*

The discount rate used to measure the total pension liability was 6.75%. The discount rate is the single rate of return that, when applied to all projected benefit payments results in an actuarial present value of projected benefit payments equal to the total of the following:

1. The actuarial present value of benefit payments projected to be made in future periods in which (a) the amount of the pension plan's fiduciary net position is projected to be greater than the benefit payments that are projected to be made in that period and (b) pension plan assets up to that point are expected to be invested using a strategy to achieve the long-term rate of return, calculated using the long-term expected rate of return on pension plan investments.
2. The actuarial present value of projected benefit payments not included in (1), calculated using the municipal bond rate.

Therefore, if plan investments in a given future year are greater than projected benefit payments in that year and are invested such that they are expected to earn the long-term rate of return, the discount rate applied to projected benefit payments in that year should be the long-term expected rate of return on plan investments. If future years exist where this is not the case, then an index rate reflecting the yield on a 20-year, tax-exempt municipal bond should be used to discount the projected benefit payments for those years.

The determination of a future date when plan investments are not sufficient to pay projected benefit payments is often referred to as a depletion date projection. A depletion date projection compares projections of the pension plan's fiduciary net position to projected benefit payments and aims to determine a future date, if one exists, when the fiduciary net position is projected to be less than projected benefit payments. If an evaluation of the sufficiency of the projected fiduciary net position compared to projected benefit payments can be made with sufficient reliability without performing a depletion date projection, alternatives methods to determine sufficiency may be applied.

In order to determine the discount rate to be used by the employer we have used an alternative method to determine the sufficiency of the fiduciary net position in all future years. Our alternative method reflects the funding requirements under the employer's funding policy and the legal requirements under TMRS.

1. TMRS has a funding policy where the Unfunded Actuarial Accrued Liability (UAAL) shall be amortized as a level percent of pay over 20-year closed layered periods.
2. Under TMRS, the employer is legally required to make the contribution specified in the funding policy.
3. The employer's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.

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**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation**

4. Any increased cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Based on the above, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments. Based on the expected level of cash flows and investment returns to the system, the fiduciary net position as a percentage of total pension liability is projected to increase from its current level in future years.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the employer is equal to the long-term assumed rate of return on investments. This long-term assumed rate of return should be net of investment expenses, but gross of administrative expenses for GASB 68 purposes. Therefore, we have used a discount rate of 7.00%.

*Changes in the Net Pension Liability / (Asset):*

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
	<u>(a)</u>	<u>(b)</u>	<u>(a) - (b)</u>
Balances as of December 31, 2017	\$ 17,406,809	\$ 17,510,596	\$ (103,787)
Changes for the year:			
Service cost	555,364	-	555,364
Interest on total pension liability	1,166,329	-	1,166,329
Difference between expected and actual experience	(60,079)	-	(60,079)
Changes of assumptions	-	-	-
Benefit payments/refunds of employee contributions	(811,079)	(811,079)	-
Contributions - employer	-	341,416	(341,416)
Contributions - employee	-	280,770	(280,770)
Net investment income	-	(524,284)	524,284
Administrative expenses	-	(10,137)	10,137
Other	-	(530)	530
	<u>\$ 18,257,344</u>	<u>\$ 16,786,752</u>	<u>\$ 1,470,592</u>
Balances as of December 31, 2018			
Plan fiduciary net position as a percentage of the total pension liability:			91.95%
Covered employee payroll:			\$ 5,615,408
Net pension liability as a percentage of covered employee payroll:			26.19%

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**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation**

*Sensitivity of the Net Pension Liability / (Asset) 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 / (asset) 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%
Net pension liability / (asset)	\$ 4,017,353	\$ 1,470,592	\$ (616,497)

*Pension plan fiduciary net position:*

Detailed information about the pension plan's fiduciary net position is available in the separately issued TMRS financial report.

*Pension Expense / (Income):*

	January 1, 2018 to December 31, 2018
Total service cost	\$ 555,364
Interest on total pension liability	1,166,329
Employee contributions (reduction of expenses)	(280,770)
Projected earnings on plan investments (reduction of expenses)	(1,181,965)
Administrative expenses	10,137
Other changes in fiduciary net position	530
Recognition of current year deferred (inflows)/outflows of resources - liabilities	(14,689)
Recognition of current year deferred (inflows)/outflows of resources - assets	341,250
Amortization of prior year deferred (inflows)/outflows of resources - liabilities	(185,924)
Amortization of prior year deferred (inflows)/outflows of resources - assets	19,353
Total pension expense	\$ 429,615

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 8 – EMPLOYEE RETIREMENT BENEFITS - Continuation**

*Deferred Inflows / Outflows of Resources:*

As of September 30, 2019, the deferred inflows and outflows - current and future expenses are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience	\$ 350,093	\$ -
Changes of assumptions	-	4,913
Net difference between projected and actual earnings	-	903,473
Contributions made subsequent to measurement date	N/A	228,609

Deferred outflows and deferred inflows of resources, by year, to be recognized in future pension expense as follows:

Year ended December 31:	
2019	\$ 144,455
2020	(30,617)
2021	104,530
2022	339,925
2023	-
Thereafter	-

**NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS**

*Plan Description*

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

*Plan Benefits*

The death benefit for active employees provides a lump-sum payment approximately equal to the employee’s annual salary (calculated based on the employee’s actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (“OPEB”) and is a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated). The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees’ entire careers.

Continued



**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation**

*Employees Covered by Benefit Terms*

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

Inactive employees or beneficiaries currently receiving benefits	40
Inactive employees entitled to but not yet receiving benefits	13
Active employees	111

*Total OPEB Liability*

The City's total OPEB liability was measured as of December 31, 2018, and was determined by an actuarial valuation as of that date.

*Actuarial Assumptions:*

The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

All actuarial assumptions that determined the total OPEB liability as of December 31, 2018 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.

For calculating the OPEB liability and the OPEB contribution rates, the Gender-distinct RP2000 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the city, rates are multiplied by an additional factor of 100.0%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements.

*Discount Rate*

The SDBF covers both active and retiree benefits with no segregation of assets, and therefore doesn't meet the definition of a trust under GASB No. 75, paragraph 4b, (i.e., no assets are accumulated for OPEB). As such the SDBF is considered to be a single-employer unfunded OPEB plan (and not a cost sharing plan) with benefit payments treated as being equal to employer's yearly contributions for retirees. In accordance with paragraph 155, the applicable discount rate for an unfunded OPEB is based on an index of tax exempt 20-year municipal bond rates rated AA or higher. As of December 31, 2018, the discount rate used in development of the Total OPEB Liability was 3.71% compared to 3.31% as of December 31, 2017.

Continued

**CITY OF DUMAS, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation**

Changes in the Total OPEB Liability:

	Changes in Total OPEB Liability
Balances as of December 31, 2017	\$ 296,890
Changes for the year:	
Service cost	12,915
Interest on total OPEB liability	9,985
Changes of benefit terms	-
Effect of economic/demographic experience	(13,620)
Effect of assumptions changes or inputs	(18,553)
Benefit payments	(3,369)
Other	-
Balances as of December 31, 2018	\$ 284,248

*Sensitivity of the net pension liability / (asset) to changes in the discount rate*

The following presents the Total OPEB Liability of the employer, calculated using the discount rate of 3.71%, as well as the what the Total OPEB Liability would be if it were calculated using a discount rate that is 1 percentage point lower (2.71%) or 1 percentage point higher (4.71%) than the current rate. Note that the healthcare cost trend rate does not affect the Total OPEB Liability, so sensitivity to the healthcare cost trend rate is not shown.

	1% Decrease 2.71%	Current Single Rate Assumption 3.71%	1% Increase 4.71%
Net pension liability / (asset)	\$ 334,304	\$ 284,248	\$ 244,449

Continued

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 9 – OTHER POST EMPLOYMENT BENEFIT (OPEB) OBLIGATIONS – Continuation**

*OPEB Expense / (Income)*

	January 1, 2018 to December 31, 2018
Service cost	\$ 12,915
Interest on total OPEB liability	9,985
Recognition of deferred inflows/outflows of resources	
Differences between expected and actual experience	(2,089)
Changes in assumptions or other inputs (1)	412
Recognition of investment gains or losses	-
Other	-
 Total OPEB expense	 \$ 21,223

(1) Generally, this will only be the annual change in the municipal bond index rate.

*Deferred Inflows / Outflows of Resources:*

As of September 30, 2019, the deferred inflows and outflows of resources are as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 11,530	\$ -
Changes of assumptions	15,707	14,728
Contributions made subsequent to measurement date	N/A	2,480

Deferred outflows and deferred inflows of resources, by year, to be recognized in future OPEB expense as follows:

	Year ended December 31:	
2019		\$ (1,677)
2020		(1,677)
2021		(1,677)
2022		(1,677)
2023		(3,239)
Thereafter		(2,562)

**CITY OF DUMAS, TEXAS  
NOTES TO FINANCIAL STATEMENTS  
SEPTEMBER 30, 2019**

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

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

The City has three landfill sites permitted as follows: MSW 2279, MSW 2285, and MSW 211B. In addition to operating expenses related to current activities of the landfills, an expense provision and related liability are being recognized based on estimated future closure and post closure care costs that will be incurred near or after the date that the landfills no longer accepts solid waste. The estimated total current cost of the landfill closure and post closure care of \$2,358,064 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of September 30, 2019. The recognition of the estimate total current cost is based on the amount of the landfills used during the year. The estimated liability for closure and post closure cost accrued on the City’s books for the year ended September 30, 2019 was \$62,741, which is based on accumulated usage of landfill area. It is estimated that an additional \$22,832,108 will be recognized as closure and post closure expenses between the balance sheet date and the date that the landfills are filled to capacity. As of September 30, 2019, the City has used approximately 2.62% of the available landfill capacity for the permit MSW 2279, and 42.23% of the permits MSW 2285. MSW 211B was closed during the fiscal year 2014. No post-closure charges were charged against the closure and post-closure care cost accrued liability for MSW 211B during the fiscal year 2019. The City expects to close MSW 2279 in the year 2130, and MSW 2285 in the year 2022. However, the actual cost of closure and post closure care is subject to change due to inflation, changes in technology, or changes in landfill laws and regulations.

The City of Dumas has demonstrated financial assurance for closure post closure care cost associated with the landfill by satisfying the financial test specified in Sub-chapter K of 31 Texas Administrative Code 330,285(g).

**NOTE 11 – INSURANCE FUND**

The City has established the Insurance Fund (a proprietary fund type; internal service fund) to account for its health insurance program. The purpose of this fund is to finance and pay for the uninsured medical claims of the City employees and their covered dependents and minimize the total costs of insurance to the City and its employees. Dependent coverage is funded by charges to employees. The City’s liability is limited to \$65,000 per covered person per year under the present 12/12 plan. The City has obtained insurance through a private insurance carrier for claims in excess of the above coverage. The carrier processes all the claims and bills the City for processed claims that are within the coverage of the fund. Settlement amounts have not exceeded insurance coverage for the current year.

The premium amounts were based on calculations by the insurance carrier using experience factors to estimate what would be needed to cover claims and to establish a reserve for losses. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Changes in the City’s claims liability amount were:

	Beginning Balance	Claims and Changes in Estimates	Claim Payments	Ending Balance
For Year Ended:				
September 30, 2019	\$ 75,093	\$ 1,551,495	\$ (1,563,100)	\$ 63,488

**CITY OF DUMAS, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2019**

**NOTE 12 – COMPONENT UNIT TRANSACTIONS**

**DEDC Projects:**

Economic Development Project expenses are as follows:

2019 Alimentos Integrados, LLC	\$	5,000
2019 Dumas Family Fun Center		10,000
2019 Moore County Health Foundation		5,000
2019 Cecy's Daycare		400
2019 Dumas Education and Social Ministries		3,891
2019 Moore County Livestock Association		16,900
2019 Storybridge		2,200
2019 Moore County Development		1,600
2019 American Legion		1,609
2019 Cowboy Classic Rodeo Association		3,700
2019 Dumas Downtown Association		1,600
2019 Dumas FFA		2,200
2019 Panhandle Children's Foundation		1,000
2019 YMCA		1,461
2019 Amarillo College		2,870
2019 Junior Achievement of the High Plains		2,000
2019 Various other projects		<u>9,652</u>
 Total Economic Development Projects	 \$	 <u>71,083</u>

**DEDC Commitments:**

During the fiscal year ended September 30, 2017, the Dumas Economic Development Corporation committed funding in an amount not to exceed \$30,000 to Alimentos Integrados, LLC for renovation of a restaurant location at 1700 S. Dumas Ave. As of September 30, 2019, the remaining commitment is \$5,000.

During the fiscal year ended September 30, 2018, the Dumas Economic Development Corporation committed funding in an amount not to exceed \$50,000 to The Dumas Family Fun Center. The purpose of the committed funds is to provide an incentive for the business to operate within the city limits, at 314 E. 1<sup>st</sup> Street for a period of 5 years. The commitment is to be paid out in five (5) annual installments of \$10,000 so long as the business is operational. As of September 30, 2019, the remaining commitment is \$30,000.

During the fiscal year ended September 30, 2019, the Dumas Economic Development Corporation committed funding in the amount of \$25,000 to Moore County Health Foundation for the renovation of the Moore County Hospital facilities located at 224 E. 2<sup>nd</sup> Street. The commitment is to be paid out in five (5) annual installments of \$5,000. As of September 30, 2019, the remaining commitment is \$20,000.

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**APPENDIX E**

**SPECIMEN MUNICIPAL BOND INSURANCE POLICY**

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## MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: \_\_\_\_\_

MEMBER: [NAME OF MEMBER]

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

Effective Date: \_\_\_\_\_

Risk Premium: \$ \_\_\_\_\_

Member Surplus Contribution: \$ \_\_\_\_\_

Total Insurance Payment: \$ \_\_\_\_\_

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

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

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

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

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

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

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

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: \_\_\_\_\_  
Authorized Officer

SPECIMEN

**Notices (Unless Otherwise Specified by BAM)**

Email:  
[claims@buildamerica.com](mailto:claims@buildamerica.com)  
Address:  
200 Liberty Street, 27th floor  
New York, New York 10281  
Telecopy:  
212-962-1524 (attention: Claims)

SPECIMEN

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Financial Advisory Services  
Provided By:

